

INVEST BANK P.S.C.

**Condensed consolidated interim financial information
for the nine-month period ended 30 September 2023**

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 2023

	Pages
Review report on condensed consolidated interim financial information	1
Condensed consolidated interim statement of financial position	2
Condensed consolidated interim statement of profit or loss (un-audited)	3
Condensed consolidated interim statement of comprehensive income (un-audited)	4
Condensed consolidated interim statement of changes in equity	5
Condensed consolidated interim statement of cash flows (un-audited)	6
Notes to the condensed consolidated interim financial information	7 - 28

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Invest bank P.S.C. ("the Bank") and its subsidiary (together referred to as "the Group") as at 30 September 2023 and the related condensed consolidated interim statements of profit or loss, comprehensive income, 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".

Emphases of matter

We draw attention to note 4.1 to the condensed consolidated interim financial information which states that the Bank has recognized a reimbursement asset of AED 2.6 billion as at 30 September 2023. The realizability of this asset is dependent on the ability of the Bank to satisfactorily comply with the eligibility criteria as set out in Note 4.1 to enable it to establish an unconditional contractual right to receive amounts due under the reimbursement asset from the Government of Sharjah.

We also draw attention to note 4.2 to the condensed consolidated interim 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 capital and liquidity requirements.

Our conclusion is not modified in respect of these matters.

PricewaterhouseCoopers Limited Partnership (Sharjah Branch)
14 November 2023



Murad Alnsour
Registered Auditor Number 1301
Place: Sharjah, United Arab Emirates

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INVEST BANK P.S.C.

Condensed consolidated interim statement of financial position as at 30 September 2023

		30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
	Note		
ASSETS			
Cash and deposits with central banks	6	1,014,113	615,346
Due from banks	7	548,253	140,540
Investment securities	8	2,339,987	2,136,084
Loans and advances to customers	9	3,985,551	5,136,760
Other assets	10	3,497,590	538,981
Total assets		11,385,494	8,567,711
LIABILITIES			
Due to banks	12	225,729	651,653
Deposits from customers	13	8,103,871	7,587,174
Other liabilities	14	707,106	224,627
Total liabilities		9,036,706	8,463,454
EQUITY			
Share capital	15	3,202,493	3,180,982
Share discount		-	(477,857)
Fair value reserve		(41,151)	(40,879)
Foreign currency translation reserve		21,665	68,672
Accumulated losses		(834,219)	(2,626,661)
Net equity		2,348,788	104,257
Total liabilities and equity		11,385,494	8,567,711

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 14 NOV 2023 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 2023 (un-audited)

	Note	For the nine-month period ended 30 September	
		2023	2022
		(un-audited) AED'000	(un-audited) AED'000
Interest income		345,160	166,313
Interest expense		(195,687)	(105,247)
Net interest income		149,473	61,066
Net fees and commission income		37,069	35,100
Net income from foreign currencies		5,182	5,301
Other income		7,233	8,323
Total operating income		198,957	109,790
Operating expenses			
General and administrative expenses		(149,057)	(124,821)
Total operating expenses		(149,057)	(124,821)
Operating profit before impairment loss		49,900	(15,031)
Net impairment loss	16	(404,597)	(112,116)
Loss for the period		(354,697)	(127,147)
Loss per share	18	(0.02)	(0.04)

INVEST BANK P.S.C.

Condensed consolidated interim statement of comprehensive income for the nine-month period ended 30 September 2023 (un-audited)

	For the nine-month period ended 30 September	
	2023 (un-audited) AED'000	2022 (un-audited) AED'000
Loss for the period	(354,697)	(127,147)
Other comprehensive profit:		
<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	(272)	22
<i>Items that will be reclassified to profit or loss:</i>		
Changes in net assets due to exchange translation and hyperinflation adjustments on foreign operations	-	(173,253)
Total comprehensive loss for the period	(354,969)	(300,378)

INVEST BANK P.S.C.

Condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2023 (un-audited)

	Share capital AED'000	Share discount AED'000	Foreign currency translation reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2022	3,180,982	(477,857)	-	(40,988)	(2,041,613)	620,524
Loss for the period	-	-	-	-	(127,147)	(127,147)
Other comprehensive loss						
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	22	-	22
Changes in net assets due to exchange translation and hyperinflation adjustment on foreign operations	-	-	(173,253)	-	-	(173,253)
Total comprehensive loss for the period	-	-	(173,253)	22	(127,147)	(300,378)
Balance at 30 September 2022 (un-audited)	3,180,982	(477,857)	(173,253)	(40,966)	(2,168,760)	320,146
Balance at 1 January 2023	3,180,982	(477,857)	68,672	(40,879)	(2,626,661)	104,257
Capital reduction ^{Note 15}	(2,578,489)	477,857	-	-	2,100,632	-
Issuance of right shares ^{Note 15}	2,600,000	-	-	-	-	2,600,000
Issuance related costs	-	-	-	-	(500)	(500)
Impact of capital restructuring plan ^{Note 15}	21,511	477,857	-	-	2,100,132	2,599,500
Loss for the period	-	-	-	-	(354,697)	(354,697)
Other comprehensive loss						
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	(272)	-	(272)
Transfer to retained earnings from foreign currency translation reserve	-	-	(47,007)	-	47,007	-
Total comprehensive loss for the period	-	-	(47,007)	(272)	(307,690)	(354,969)
Balance at 30 September 2023 (un-audited)	3,202,493	-	21,665	(41,151)	(834,219)	2,348,788

The notes 1 to 22 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 2023 (un-audited)

	Note	For the nine-month period ended 30 September	
		2023 AED'000	2022 AED'000
Cash flows from operating activities			
Loss for the period		(354,697)	(127,147)
Adjustments:			
Depreciation		5,841	6,164
Net gain on investment securities		(471)	(87)
Fair value gain on repossessed properties		-	(8,145)
Net impairment loss	16	405,676	112,116
Operating cash flows before changes in operating assets and liabilities		56,349	(17,099)
Changes in time deposits with Central banks maturing after three months		(66,340)	(22,318)
Change in reserves held with Central Bank		177,934	20,951
Change in due from banks		(390,398)	-
Change in loans and advances to customers		447,986	906,339
Change in other assets		(362,105)	(24,219)
Change in deposits from customers		516,697	(846,295)
Change in due to banks		(425,924)	(4,381)
Change in other liabilities		480,400	17,946
Net cash generated from operating activities		434,599	30,924
Cash flows from investing activities			
Purchase of property and equipment		(6,798)	(2,974)
Purchase of investment securities		(203,935)	(75,711)
Proceeds from sale/redemption of investment securities		231	621
Purchase of repossessed properties		(732)	(4,540)
Proceeds from sale of repossessed properties		13,187	-
Net cash used in investing activities		(198,047)	(82,604)
Cash flows from financing activities			
Issuance of Share capital (net of issuance cost)		296,648	-
Repayment of repo financing		-	(750,000)
Net cash generated from / (used in) financing activities		296,648	(750,000)
Net change in cash and cash equivalents		533,200	(801,680)
Effect of foreign currency translation		-	(173,253)
Cash and cash equivalents at the beginning of the period		372,876	1,355,608
Cash and cash equivalents at the end of the period	21	906,076	380,675

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023

1 Legal status and activities

Invest bank P.S.C. ("Invest bank" or "the Bank") is a public shareholding company with limited liability which was incorporated in 1975 by an Emiri Decree issued by His Highness Dr. Sheikh Sultan Bin Mohammed Al Qassimi, Ruler of Sharjah. The registered address of the Bank is at Al Zahra Street, P.O.Box 1885, Sharjah, United Arab Emirates ("UAE").

Invest bank is licensed by the Central Bank of the UAE (the "CBUAE") to carry out banking activities and is principally engaged in the business of corporate and retail banking through its network of branches located in the 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 Bank has obtained CB Lebanon approval to liquidate the branch. Management is assessing the process of liquidation.

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 which provides support services to the Bank. ALFA Financial Services FZE is in the process of closure as per Board approval dated 27 June 2022. The condensed consolidated interim financial statements as at and for the period ended 30 September 2023 comprise the Bank and its subsidiary (together referred to as "the Group").

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Group is in the process of complying with the provisions of the UAE Federal Decree Law No 32 of 2021.

2 Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial information has been prepared on the historical cost basis except for the measurement of certain investment securities and repossessed properties at fair value.

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standards (IAS) 34 "Interim Financial Reporting" and applicable laws of the UAE. It does not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group as at and for the year ended 31 December 2022, which has been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies applied by the Group in these condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022 except for the below:

(i) Purchased Financial Guarantee premium (Reimbursement assets)

Purchased financial guarantees are irrevocable contracts that require the issuer to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees which are purchased sometime later after the origination of the financial assets are not integral part of the financial assets and are not considered when computing the expected credit loss of the guaranteed financial asset. The financial guarantee by the holder is not an integral part of the financial asset and hence is outside the scope of International Financial Reporting Standard IFRS 9- Financial Instruments, IFRS 17- Insurance contracts. Hence, in line with the requirements of IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors, the Bank has accounted for the financial guarantee under IAS 37. Having considered the above facts, the premium paid for the guarantee has been recognised as a reimbursement asset. Subsequently, the reimbursement asset will be measured with reference to the expected payouts and credit losses. When the Credit Event has occurred and the Group has a contractual right to receive the compensation, the reimbursement right is derecognised and receivable from the Government is recognised at fair value.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

2 Basis of preparation (continued)

(b) Functional and presentation currency

This condensed consolidated interim financial information has been presented in United Arab Emirates Dirhams (AED) rounded to the nearest thousand, which is the Group's functional and presentation currency.

(c) Consolidation

The condensed consolidated interim 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.

(d) Use of estimates and judgments

The preparation of the condensed consolidated interim financial information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated interim financial information are described as follows:

(i) Classification of financial assets

In accordance with IFRS 9, the Group classifies its financial assets based on the assessments of the business models in which the assets are held at a portfolio level and whether cash flows generated by assets constitute solely payments of principal and interest ("SPPI"). This requires significant judgement in evaluating how the Group manages its business model and on whether or not a contractual clause in all debt instruments of a certain type breaches SPPI and results in a material portfolio being recorded at fair value through profit or loss ("FVTPL").

(ii) Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost and fair value through other comprehensive income ("FVOCI") is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

2 Basis of preparation (continued)

(d) Use of estimates and judgments (continued)

(ii) Measurement of the expected credit loss allowance (continued)

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 derivatives and unquoted securities

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (such as models) are used to determine fair values, these are tested before they are used and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

(iv) Repossessed properties

The fair value of repossessed properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's repossessed properties portfolio annually.

(v) Foreign currency translation

In accordance with IFRS, foreign exchange denominated monetary assets and liabilities should be measured using the spot rate. Determination of the spot rate is complex as availability of USD at the official rate is not always possible due to the implementation of exchange controls. As a result of the above situation, unofficial rates have emerged in the foreign exchange market that are applied by foreign exchange brokers in their currency trades ("parallel rates"). Management have applied their judgment to determine which of the rates should be considered as the spot rate.

Accordingly, the rate of USD 1 equals LBP 89,000 as at 30 September 2023 (USD 1 equals LBP 38,000 as at 31 December 2022) has been used to translate and incorporate the balances for the Lebanese branch in the condensed consolidated interim financial information.

(vi) Reimbursement assets

The Bank's management has considered the following estimates and judgements while developing an appropriate policy for reimbursement assets:

- The Bank has paid a fee of AED 2.6 billion and the maximum coverage from the guarantee is AED 3 billion.
- Majority of the loans covered by the guarantee are in stage 3 and the total expected payouts up to the date of signing the guarantee is substantially equivalent to the fees paid for the guarantee.
- It is virtually certain that the guarantor will pay the Group on the occurrence of the credit event.

Management is confident that it will be able to meet the eligibility criteria of the guarantee agreement that will establishes a contractual right to receive the amounts due as reimbursement asset and be able to fully collect the receivables from the Government of Sharjah in line with the agreement.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (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 IFRSs, which became effective for annual periods beginning on or after 1 January 2023 have been adopted in this condensed consolidated interim financial information. The application of these revised IFRSs and interpretations has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

<i>New and revised IFRS adopted in the condensed consolidated interim financial statements</i>	<i>Effective for annual periods beginning on or after</i>
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Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

January 1, 2023

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

Definition of Accounting Estimates – Amendments to IAS 8

January 1, 2023

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12

1 January 2023

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

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

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

<i>New and revised IFRS adopted in the condensed consolidated interim financial statements</i>	<i>Effective for annual periods beginning on or after</i>
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IFRS 17 – Insurance contracts

January 1, 2023

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 “Insurance Contracts”. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin (“CSM”) representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

Narrow scope amendments to IAS 1, Practice statement 2

January 1, 2023

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

<i>New and revised IFRS in issue but not yet effective and not early adopted by the Group</i>	<i>Effective for annual periods beginning on or after</i>
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Amendment to IFRS 16 – Leases on sale and leaseback

January 1, 2024

These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

Amendment to IAS 1 – Non-current liabilities with covenants

1 January 2024

These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

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

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

<i>New and revised IFRS in issue but not yet effective and not early adopted by the Group</i>	<i>Effective for annual periods beginning on or after</i>
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Amendments to IAS 1, Presentation of financial statements on classification of liabilities	Deferred until accounting periods starting not earlier than 1 January 2024
<p>The narrow-scope amendments to IAS 1 ‘Presentation of Financial Statements’ clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the ‘settlement’ of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management’s intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.</p>	

In June 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2024.

The Group is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

3.2 Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the “Law”) to enact a Federal corporate tax regime in the UAE. Furthermore, on 16 January 2023, a Cabinet Decision was published specifying the threshold of AED 375,000 of taxable income above on which taxable entities would be subject to a 9% corporate tax rate. The Corporate Tax regime will become effective for the accounting periods beginning on or after 1 June 2023. For the Group, it will be effective from 1 January 2024. While a number of regulations with regards to the application of tax legislation have been further published, clarifications in relation to certain key aspects such as foreign tax credits are pending and as such management will continue to monitor developments in order to assess the impact of corporate tax including any deferred tax on the Group.

3.3 Financial risk management

The Group’s financial risk management objectives, policies and procedures are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2022.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

4 Recapitalization and liquidity

4.1 Guarantee agreement with GOS

Guarantee agreement with GOS

On 10 May 2023, the Bank entered into a guarantee agreement “the guarantee agreement” with the Government of Sharjah the “Guarantor” who is also the ultimate controlling party of the Bank. Pursuant to the terms of the guarantee agreement, the Guarantor has undertaken to protect the Bank against losses in the net book value of certain financial and non-financial assets.

As a condition precedent to the guarantee agreement, once the general assembly was required to approve an increase in share capital through rights issue, the Guarantor should subscribe to its pro-rata share or all shares offered if not subscribed by other shareholders. The conditions precedent was fulfilled in September 2023 the “effective date” and the guarantee agreement became effective on that date. The Government of Sharjah subscribed for 230 billion shares and an amount of AED 2.3 billion which was payable to the Bank for the participation in the rights offer. The rights offer increased the shareholding of the Government of Sharjah from 50.07% to 88.11%. The Guarantor had executed the guarantee agreement as a private act and for commercial purposes at an agreed fee of AED 2.6 billion. The Bank has settled the fees payable of AED 2.6 billion by offsetting against the amount receivable from the Guarantor amounting to AED 2.3 billion arising from the issuance of shares as disclosed in Note 15 and the outstanding balance of AED 0.3 billion is recognized within other liabilities (refer to note 14).

As per the agreement, the Government of Sharjah shall compensate Invest Bank on all Defaulted Amounts which are caused by a Credit Event. Credit event is defined as an event that occurs when, the guaranteed asset is written off in accordance with the Bank policies or the Bank sells the guarantee obligation at a price below the initial net book value, or realization of the Lebanon operations related balances at the amount below the initial net book value. Further, the Government shall compensate the Bank on all value losses arising from the non-financial assets when the non-financial asset is disposed or impaired.

The guarantee agreement is for a period of 5 years from the effective date. The maximum amount that could be claimed over the term of the guarantee is AED 3 billion with a maximum cap of AED 800 million per calendar year. If and to the extent the maximum compensation under the guarantee has not been exhausted at the end of the term of the guarantee, the Bank and the guarantor shall determine the final cash payment by the guarantor to the Bank.

4.2 Capital and liquidity

Accordingly, the shareholders of the Bank in General Assembly Meeting held on 27 April 2023 approved the proposed Capital Restructuring Plan (the “Plan”). The relevant regulatory approvals for the Plan had already been obtained prior to the date of Board of Directors meeting held on 25 January 2023.

Key features of the Plan are summarized in the following:

- A guarantee agreement was entered in to with Government of Sharjah “GoS” which is explained above.
- The Bank shall through the rights issue increase the paid-up share capital of the Bank by AED 2.6 billion (the “Rights issue”) to settle the Guarantee fee.
- The impact of capital restructuring plan on the share capital and equity of the Bank has been explained in the statement of changes in equity and in note 15 of these condensed consolidated interim financial statements.

In addition to the above, the Bank continues to focus on a number of initiatives to manage its liquidity and deposit balances including the attraction and retention of deposits. Given the liquidity support provided by the CBUAE and fulfilment of Government of Sharjah’s commitment in strengthening of the Bank’s capital base, the Board and management believe that the Bank will have the ability to meet its financial obligations as and when they fall due.

Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

5 Accounting classification of financial assets and financial liabilities

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

	FVTPL	FVTOCI	Amortised cost	Total carrying amount
	AED'000	AED'000	AED'000	AED'000
At 30 September 2023 (un-audited)				
Financial assets				
Cash and deposits with central banks	-	-	1,014,113	1,014,113
Due from banks	-	-	548,253	548,253
Investment securities	3,234	8,089	2,328,664	2,339,987
Loans and advances to customers	-	-	3,985,551	3,985,551
Customers' indebtedness for acceptances	-	-	108,410	108,410
Other financial assets	-	-	2,653,034	2,653,034
	<u>3,234</u>	<u>8,089</u>	<u>10,638,025</u>	<u>10,649,348</u>
Financial liabilities				
Due to banks	-	-	225,729	225,729
Deposits from customers	-	-	8,103,871	8,103,871
Liabilities under acceptances	-	-	108,410	108,410
Other financial liabilities	-	-	301,548	301,548
	<u>-</u>	<u>-</u>	<u>8,739,558</u>	<u>8,739,558</u>

	FVTPL	FVTOCI	Amortised cost	Total carrying amount
	AED'000	AED'000	AED'000	AED'000
At 31 December 2022 (audited)				
Financial assets				
Cash and deposits with central banks	-	-	615,346	615,346
Due from banks	-	-	140,540	140,540
Investment securities	2,797	8,558	2,124,729	2,136,084
Loans and advances to Customers	-	-	5,136,760	5,136,760
Customers' indebtedness for acceptances	-	-	49,337	49,337
Other financial assets	-	-	55,421	55,421
	<u>2,797</u>	<u>8,558</u>	<u>8,122,133</u>	<u>8,133,488</u>
Financial liabilities				
Due to banks	-	-	651,653	651,653
Deposits from customers	-	-	7,587,174	7,587,174
Liabilities under acceptances	-	-	49,337	49,337
Other financial liabilities	-	-	74,579	74,579
	<u>-</u>	<u>-</u>	<u>8,362,743</u>	<u>8,362,743</u>

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

6 Cash and deposits with central banks

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Cash in hand	31,809	22,062
Deposits with central banks	758,238	435,124
Reserve requirements with the CB (refer note 6.1)	249,881	162,936
Less: Allowance for impairment (ECL) (refer note 6.2)	(25,815)	(4,776)
	1,014,113	615,346

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 AED 5.8 million change in ECL (2022: AED +/- 0.6 million)

7 Due from banks

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Money market placements	18,649	18,649
Term loans	123,046	37,126
Balances with other banks ¹	406,846	85,053
Less: Allowance for impairment (ECL)	(288)	(288)
	548,253	140,540
The geographical concentration is as follow		
- Within the UAE	326,669	39,818
- Outside the UAE	221,872	101,010
	548,541	140,828
Less: Allowance for impairment (ECL)	(288)	(288)
	548,253	140,540

¹ includes shares subscription amount receivable from arranging bank of AED 297 million.

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

8 Investment securities

The details of investments are as follows:

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Financial assets measured at fair value through profit or loss (FVTPL):		
Investments in quoted equity securities	3,234	2,797
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Investments in quoted equity securities	7,009	7,478
Investments in un-quoted equity securities	1,080	1,080
Financial assets at amortised cost:		
Investments in debt securities ^{8.2}	2,328,767	2,124,832
	2,340,090	2,136,187
Less: Allowance for impairment ^{8.3}	(103)	(103)
	2,339,987	2,136,084

- 8.1 The Group has not purchased any equity investments during the period ended 30 September 2023 (31 December 2022: Nil).
- 8.2 At 30 September 2023 AED 0.3 billion (2022: AED 0.8 billion) of investments in debt securities were pledged under repurchase agreements with maturity in March 2024. The arrangement has been rolled over for an additional year. As such, the Government of Sharjah's sukuk matures on 23 March 2024.
- 8.3 Management believes that the expected credit loss on the investments held in Government of Sharjah sukuks is inconsequential.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (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 2022: Nil).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2023 (un-audited)				
Financial assets				
FVTPL - equity securities	3,234	-	-	3,234
FVOCI - equity securities	7,009	-	1,080	8,089
Non-financial assets				
Reposessed properties	-	-	658,732	658,732
	<u>10,243</u>	<u>-</u>	<u>659,812</u>	<u>670,055</u>
31 December 2022 (audited)				
Financial assets				
FVTPL - equity securities	2,797	-	-	2,797
FVOCI - equity securities	7,478	-	1,080	8,558
Non-financial assets				
Reposessed properties	-	-	366,037	366,037
	<u>10,275</u>	<u>-</u>	<u>367,117</u>	<u>377,392</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 2023 (Un-audited)		31 December 2022 (Audited)	
	Investment securities AED'000	Reposessed properties	Investment securities AED'000	Reposessed properties
As at 1 January	1,080	366,037	1,080	416,460
Change in fair value during the year	-	-	-	(87,909)
Additions	-	305,882	-	37,486
- Disposals	-	(13,187)	-	-
As at end of period	<u>1,080</u>	<u>658,732</u>	<u>1,080</u>	<u>366,037</u>

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

9 Loans and advances to customers

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Overdrafts	5,446,370	6,369,368
Bills discounted	145,119	115,067
Trust receipts	569,290	493,516
Term loans	5,153,492	4,928,134
	11,314,271	11,906,085
Allowances for impairment (refer note 9.1 and 9.2)	(7,328,720)	(6,769,325)
Net loans and advances to customers	3,985,551	5,136,760

Stage wise analysis of products

	30 September 2023 (un-audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Overdrafts	701,708	84,419	4,660,243	5,446,370
Bills discounted	49,363	3,582	92,174	145,119
Trust receipts	129,965	3,558	435,767	569,290
Term loans	1,527,618	612,160	3,013,714	5,153,492
	2,408,654	703,719	8,201,898	11,314,271

31 December 2022 (audited)				
Overdrafts	1,329,015	239,005	4,801,348	6,369,368
Bills discounted	22,042	890	92,135	115,067
Trust receipts	50,079	37,515	405,922	493,516
Term loans	884,859	790,940	3,252,335	4,928,134
	2,285,995	1,068,350	8,551,740	11,906,085

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

	30 September 2023 (un-audited)			31 December 2022 (audited)		
	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	4,803,983	1,965,342	6,769,325	4,602,981	1,524,068	6,127,049
Net impairment charge	398,073	-	398,073	279,781	-	279,781
Net movement in interest in suspense	-	289,918	289,918	-	514,794	514,794
Amounts written off	(19,750)	(126,561)	(146,311)	(37,764)	(30,616)	(68,380)
Effect of exchange difference	10,942	6,773	17,715	(41,015)	(42,904)	(83,919)
As at period / year end	5,193,248	2,135,472	7,328,720	4,803,983	1,965,342	6,769,325

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

9 Loans and advances to customers (continued)

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:

Customer exposure	30 September 2023 (un-audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross exposure as at 1 January 2023	2,285,995	1,068,350	8,551,740	11,906,085
Transfers from:				
Transfer from Stage 1 to Stage 2	(41,351)	41,351	-	-
Transfer from Stage 1 to Stage 3	(9,072)	-	9,072	-
Transfer from Stage 2 to Stage 1	408,725	(408,725)	-	-
Transfer from Stage 2 to Stage 3	-	(37,111)	37,111	-
Transfer from Stage 3 to Stage 1	11	-	(11)	-
Transfer from Stage 3 to Stage 2	-	35,018	(35,018)	-
Changes in EADs	(235,654)	4,836	(360,996)	(591,814)
Gross exposure as at 30 September 2023	2,408,654	703,719	8,201,898	11,314,271

Customer exposure	31 December 2022 (audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Gross exposure as at 1 January 2022	2,428,495	1,436,987	8,191,934	12,057,416
Transfers				
Transfer from Stage 1 to Stage 2	(372,753)	372,753	-	-
Transfer from Stage 1 to Stage 3	(17,403)	-	17,403	-
Transfer from Stage 2 to Stage 1	185,071	(185,071)	-	-
Transfer from Stage 2 to Stage 3	-	(223,028)	223,028	-
Transfer from Stage 3 to Stage 1	4,517	-	(4,517)	-
Transfer from Stage 3 to Stage 2	-	8,155	(8,155)	-
Changes in EADs	58,068	(341,446)	132,047	(151,331)
Gross exposure as at 31 December 2022	2,285,995	1,068,350	8,551,740	11,906,085

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

9 Loans and advances to customers (continued)

9.2 Staging movement (continued)

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

	30 September 2023 (un-audited)			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	AED'000	AED'000	AED'000	AED'000
Customer loss allowance				
Loss allowance as at 1 January 2023	10,390	60,774	6,698,161	6,769,325
Transfers				
Transfer from Stage 1 to Stage 2	(78)	78	-	-
Transfer from Stage 1 to Stage 3	(22)	-	22	-
Transfer from Stage 2 to Stage 1	22,804	(22,804)	-	-
Transfer from Stage 2 to Stage 3	-	(686)	686	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	12,912	(12,912)	-
Changes in PDs/ LGDs/ EADs	(10,583)	2,308	567,670	559,395
Loss allowance as at 30 September 2023	22,511	52,582	7,253,627	7,328,720

	31 December 2022 (audited)			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	AED'000	AED'000	AED'000	AED'000
Customer loss allowance				
Loss allowance as at 1 January 2022	13,569	51,778	6,061,702	6,127,049
Transfers				
Transfer from Stage 1 to Stage 2	(6,016)	6,016	-	-
Transfer from Stage 1 to Stage 3	(110)	-	110	-
Transfer from Stage 2 to Stage 1	1,412	(1,412)	-	-
Transfer from Stage 2 to Stage 3	-	(4,489)	4,489	-
Transfer from Stage 3 to Stage 1	2,033	-	(2,033)	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Changes in PDs/ LGDs/ EADs	(498)	8,881	633,893	642,276
Loss allowance as at 31 December 2022	10,390	60,774	6,698,161	6,769,325

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

9 Loans and advances to customers (continued)

9.3 Gross credit exposure by industry segment

	30 September 2023 (un-audited)				31 December 2022 (audited)
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000	AED'000
Manufacturing	149,392	29,321	2,377,845	2,556,558	2,368,867
Construction	390,855	37,597	3,494,714	3,923,166	3,771,529
Real Estate	56,293	432,776	816,048	1,305,117	1,556,388
Trade	237,038	53,959	906,854	1,197,851	1,086,932
Transport, Storage and Communication	52,421	1,380	75,713	129,514	94,375
Financial Institutions	263,205	77,022	100,225	440,452	971,860
Other Services	412,742	6,736	235,351	654,829	666,348
Government	634,769	-	-	634,769	738,164
Individuals	107,027	22	17,238	124,287	25,825
High Net Worth Individuals	99,797	64,906	127,082	291,785	573,275
All others	5,115	-	50,828	55,943	52,522
Gross loans and advances	2,408,654	703,719	8,201,898	11,314,271	11,906,085

9.4 Expected credit loss by industry segment

	30 September 2023 (un-audited)				31 December 2022 (audited)
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000	AED'000
Manufacturing	481	768	2,084,485	2,085,734	1,910,266
Construction	3,950	14,736	3,484,579	3,503,265	3,289,485
Real Estate	948	28,475	431,713	461,136	410,560
Trade	1,230	3,487	773,018	777,735	643,777
Transport, Storage and Communication	1,010	361	56,657	58,028	33,886
Financial Institutions	447	259	87,796	88,502	86,010
Other Services	5,979	2,607	209,335	217,921	204,563
Government	2,363	-	-	2,363	2,362
Individuals	5,824	8	12,352	18,184	10,019
High Net Worth Individuals	243	1,881	80,720	82,844	154,907
All others	36	-	32,972	33,008	23,490
Loss allowances	22,511	52,582	7,253,627	7,328,720	6,769,325

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

10 Other assets

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Interest receivable	13,433	11,315
Reposessed properties ^{10.1}	658,732	366,037
Property plant and equipment	65,914	64,957
Prepayments and other assets	51,101	47,335
Reimbursement asset ^{4.1}	2,600,000	-
Customers' indebtedness for acceptances	108,410	49,337
	3,497,590	538,981

^{10.1} Reposessed properties were acquired in settlement of loans and advances.

11 Related party transactions

In the normal course of business, the Group enters into various transactions with related parties including 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. Other than the transactions disclosed in notes 4.1, 10 and 14, 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 2023 (un-audited)				
	Government of Sharjah AED'000	Government related entities AED'000	Board of directors AED'000	Other balances AED'000	Total AED'000
Loans and advances with customers	394,491	277,550	-	224,154	896,195
Deposits with customers	1,498,699	780,557	14,729	527,965	2,821,950
Commitments and contingent Liabilities					
Outstanding letters of credit and guarantees	-	35,326	-	34,376	69,702

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

11 Related party transactions (continued)

	31 December 2022 (audited)				
	Government of Sharjah AED'000	Sharjah Government related entities AED'000	Board of directors AED'000	Other balances AED'000	Total AED'000
Loans and advances with customers	494,152	279,617	-	392,171	1,165,940
Deposits with customers	1,000,000	772,053	14,719	628,450	2,415,222
Commitments and contingent liabilities					
Outstanding letters of credit and guarantees	-	37,218	-	34,044	71,262

None of the loans granted to related parties are impaired as at 30 September 2023 (31 December 2022: Nil).

The loans extended to directors during the period are repayable over 1 year and bear interest at rates ranging from 6% to 10% per annum. At 30 September 2023, outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 23.7 million (31 December 2022: AED 247.5 million).

	30 September 2023 (un-audited)				
	Government of Sharjah AED'000	Sharjah Government related entities AED'000	Board of directors AED'000	Other balances AED'000	Total AED'000
Interest income	16,914	82,792	-	9,174	108,880
Interest expense	(33,519)	(21,557)	(178)	(19,449)	(74,703)

	30 September 2022 (un-audited)				
	Government of Sharjah AED'000	Sharjah Government related entities AED'000	Board of directors AED'000	Other balances AED'000	Total AED'000
Interest income	482	32,968	448	13,325	47,223
Interest expense	(11,936)	(7,967)	(113)	(25,253)	(45,269)

Key management personnel

	30 September 2023 (un-audited) AED'000	30 September 2022 (un-audited) AED'000
Salaries and other short term benefits	12,209	9,532
Termination benefits	1,739	407
	<u>13,948</u>	<u>9,939</u>

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

12 Due to banks

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Balances with other banks	729	11,653
Repo against fixed income securities ^{8 2}	225,000	640,000
	<u>225,729</u>	<u>651,653</u>

13 Deposits from customers

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Time deposits	6,087,338	5,963,208
Savings accounts	104,249	153,753
Current and other accounts	1,912,284	1,470,213
	<u>8,103,871</u>	<u>7,587,174</u>

14 Other liabilities

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Interest payable	117,875	54,300
Unearned commission income	22,054	20,641
Staff benefits payable	15,046	14,498
Accrued expenses	71,158	66,938
Manager's cheques	51,849	1,974
Liabilities under acceptances	108,410	49,337
Others ¹	320,714	16,939
	<u>707,106</u>	<u>224,627</u>

¹includes fees amounting to AED 297 million payable to GoS under the guarantee agreement.

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

15 Share capital

	30 September 2023 Un-audited AED'000	31 December 2022 Audited AED'000
Issued, subscribed and paid-up capital 263,180,982 thousand shares of AED 0.012168406 each (2022: 3,180,982 thousand shares of AED 1 each)	3,202,493	3,180,982

At the General Assembly ("GA") meeting held on 27 April 2023 the proposed Capital Restructuring Plan (the "Plan") was approved. The relevant regulatory approvals for the plan had already been obtained prior to the date of Board of Directors meeting held on 25 January 2023.

The shareholders resolved during the GA Meeting and following receipt of all necessary regulatory approvals to approve the three-step capital solution plan which comprises of:

- reduction of the share capital of AED 3,180,982,143 by AED2,578,489,214 by writing off Invest Bank's accumulated losses of AED 2,100,632,071 and the existing reserve amount of AED 477,857,143, which shall be effected through reducing the nominal value of each share from AED1 to AED0.1894046876, resulting in a total share capital of AED 602,492,929 (the "First Reduction");
- after effecting the First Reduction, increasing the share capital of Invest Bank by AED 49,245,218,776 (the "Capital Increase"); by issuing 260,000,000,000 shares (the "New Shares") at an Issue Price of AED 0.01 (1 Fils) (the "Issue Price"), implying a discount of AED 0.1794046876 on the Subscription Price of each share. This discount would result in a negative share discount reserve on the 'shareholders' equity' in an amount of AED 46,645,218,776. The total share capital of the Bank will become AED 49,847,711,705 distributed over 263,180,982,143 shares; and
- after effecting the First Reduction and the Capital Increase, a further reduction in the share capital of Invest Bank by writing off an amount equal to the losses incurred by Invest Bank arising out of the negative reserve of AED 46,645,218,776 referred to in the preceding Capital Increase step, resulting in a share capital of AED 3,202,492,929 at a nominal value of AED 0.012168406 (the "Second Reduction")

The overall impact on condensed consolidated interim Statement of changes in equity of the Bank is explained below:

	Position prior to capital restructuring AED'000	Position post capital restructuring AED'000
Share capital	3,180,982	3,202,493
Share discount	(477,857)	-
Accumulated losses ¹	(2,626,661)	(526,029)
Total	76,464	2,676,464

¹ Accumulated loss balance above is before considering the impact of net loss during the period and any other retained earnings adjustments.

Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 30 September 2023 and 31 December 2022 is 13%.

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

15 Share capital (continued)

The bank must comply with the following minimum requirements:

- (i) CET1 must be at least 7% of risk weighted assets (RWA);
- (ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA); and
- (iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 13% of risk weighted assets (RWA).

The capital adequacy ratio is computed based on circulars issued by the CBUAE as per Basel III. The Group's regulatory capital position was as follows:

	30 September 2023 (un-audited) AED'000	31 December 2022 (un-audited) AED'000
Tier 1 Capital		
Share capital	3,202,493	3,180,982
Share discount	-	(477,857)
Foreign currency translation	21,665	68,672
Fair value reserve	(41,151)	(40,879)
Accumulated losses	(837,213)	(2,614,842)
Total tier 1 capital	2,345,794	116,076
Tier 2 Capital		
General provision	68,809	86,740
Total tier 2 capital	68,809	86,740
Total regulatory capital	2,414,603	202,816
Key weighted assets		
Credit risk	5,504,702	6,939,189
Market risk	50,318	81,999
Operational, risk	290,804	302,588
Total risk weighted assets (RWA)	5,845,824	7,323,776
Total regulatory capital expressed as % of RWA	41.30%	2.77%
Total tier 1 capital expressed as % of RWA	40.13%	1.58%

Total Risk Weighted Assets (RWA) have decreased in comparison to 31 December 2022 predominately due to the decrease in the net loans and advances to customers. For the above RWA computation, the reimbursement asset booked as a result of the Guarantee agreement with the Government of Sharjah is considered a zero-risk weighted asset. The rights issue during the period has led to a significant increase in Total tier 1 capital which has in turn led to a significant increase in the regulatory capital expressed as % of RWA.

16 Net impairment loss

	30 September 2023 (un-audited) AED'000	30 September 2022 (un-audited) AED'000
Net impairment charge on		
- loans and advances	398,073	211,348
- cash and balances with central banks	5,524	(77,839)
- others	2,079	-
Recoveries from investment securities	-	100
Recoveries from loans and advances previously written off	(1,079)	(21,493)
	404,597	112,116

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (continued)

17 Segmental analysis

The Group operates in the United Arab Emirates and Lebanon, and its results arise largely from commercial banking, treasury and investment activities. Information with respect to business segments is as follows:

	30 September 2023 (un-audited)		30 September 2022 (un-audited)	
	Commercial banking AED'000	Treasury & investments AED'000	Commercial banking AED'000	Treasury & investments AED'000
Net interest and other income	159,359	39,598	198,957	138,885
Net impairment loss	(404,597)	-	(404,597)	(112,016)
Loss for the period	(392,771)	38,074	(354,697)	(96,145)
Segment depreciation	(5,841)	-	(5,841)	6,164
				-
				109,790
				(112,116)
				(127,147)
				6,164

	30 September 2023 (un-audited)		31 December 2022 (audited)	
	Commercial banking AED'000	Treasury & investments AED'000	Commercial banking AED'000	Treasury & investments AED'000
Segment total assets	8,250,008	3,135,486	11,385,494	5,863,143
Segment total liabilities	7,681,034	1,355,672	9,036,706	2,704,568
				655,862
				8,567,711
				8,463,454

(27)

INVEST BANK P.S.C.

Notes to the condensed consolidated interim financial information for the nine-month period ended 30 September 2023 (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.

	30 September 2023 (un-audited)	30 September 2022 (un-audited)
Loss attributable to ordinary shareholders (AED'000)	(354,697)	(127,147)
Weighted average number of shares outstanding at 30 September (AED'000)	18,419,077	3,180,982
Earnings per share (AED)	(0.02)	(0.04)

At reporting date, the Group does not have any instrument resulting in dilution of basic earnings per share. The weighted average shares for 30 September 2023 include the rights issue of 260 billion shares.

19 Commitments and contingent liabilities

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Letters of credit	99,699	85,522
Letters of guarantee	2,185,375	2,086,751
Irrevocable commitments to extend credit	139,096	59,675
Others	5,400	2,349
	<u>2,429,570</u>	<u>2,234,297</u>

20 Non-cash transactions

The Bank has offset AED 2.3 billion receivable from the Government of Sharjah as a result of the rights issuance as disclosed in note 15 against the payable to the Government of Sharjah of AED2.6 billion that resulted from the reimbursement asset. The amount payable to the Government of Sharjah of AED 0.3 billion is classified under other liabilities in note 14.

21 Cash and cash equivalents

	30 September 2023 (un-audited) AED'000	31 December 2022 (audited) AED'000
Cash in hand	31,809	22,062
Deposits with central banks ^{21.1}	753,250	247,112
Due from banks	121,017	103,702
	<u>906,076</u>	<u>372,876</u>

^{21.1} excluding reserve requirements with Central banks

22 Subsequent Events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the condensed consolidated interim financial information as at and for the nine-month period ended 30 September 2023 except those explained in note 4 and note 15.