

Invest bank P.S.C.

**Condensed consolidated interim financial information
for the three-month period ended 31 March 2021**

Registered office
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P O Box 1885 - Sharjah
United Arab Emirates

Invest bank P.S.C.

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for the three-month period ended 31 March 2021**

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Invest bank P.S.C. (“the Bank”) and its subsidiary (together referred to as “the Group”) as at 31 March 2021 and the related condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-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.

Emphasis of matter

We draw attention to note 4 to the consolidated financial information which states that as at 31 March 2021 the Bank was below the minimum regulatory Capital Adequacy Ratio (“CAR”) of 11.5%. The Bank continues to focus on a number of initiatives to manage its CAR and take measures to manage its ongoing liquidity.

Conclusion

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

PricewaterhouseCoopers
28 July 2021

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

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

Invest bank P.S.C.

Condensed consolidated interim statement of financial position as at 31 March 2021

		31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
ASSETS			
Cash and deposits with central banks	6	1,525,374	518,893
Due from banks	7	114,289	165,187
Investment securities	8	2,012,655	122,515
Loans and advances to customers	9	6,743,590	7,243,637
Other assets	10	646,084	683,585
Total assets		11,041,992	8,733,817
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	12	1,873,074	388,485
Deposits from customers	13	8,049,174	7,147,460
Other liabilities	14	229,510	288,055
Total liabilities		10,151,758	7,824,000
EQUITY			
Share capital	15	3,180,982	3,180,982
Share discount		(477,857)	(477,857)
Fair value reserve		(41,132)	(41,169)
Accumulated losses		(1,771,759)	(1,752,139)
Net equity		890,234	909,817
Total liabilities and equity		11,041,992	8,733,817

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 18 July 2021 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 three-month period ended 31 March 2021 (un-audited)

	Note	For the three-month period ended 31 March	
		2021 (un-audited) AED'000	2020 (un-audited) AED'000
Interest income		106,982	114,282
Interest expense		(42,864)	(69,990)
Net interest income		64,118	44,292
Net fees and commission income		15,989	24,082
Net income from foreign currencies		2,281	2,177
Other income		285	4,221
Total operating income		82,673	74,772
Operating expenses			
General and administrative expenses		(42,590)	(54,296)
Total operating expenses		(42,590)	(54,296)
Operating profit before impairment loss		40,083	20,476
Net impairment loss	16	(59,703)	(119,967)
Loss for the period		(19,620)	(99,491)
Loss per share	18	(0.01)	(0.03)

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Condensed consolidated interim statement of comprehensive income for the three-month period ended 31 March 2021 (un-audited)

	For the three-month period ended 31 March	
	2021 (un-audited) AED'000	2020 (un-audited) AED'000
Loss for the period	(19,620)	(99,491)
Other comprehensive profit/(loss):		
<i>Items that will not be reclassified to profit or loss:</i>		
Change in fair value of financial assets measured at fair value through other comprehensive income (equity instruments)	<u>37</u>	<u>(43,740)</u>
Total items that will not be reclassified to profit or loss	<u>37</u>	<u>(43,740)</u>
Total comprehensive loss for the period	<u>(19,583)</u>	<u>(143,231)</u>

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Condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2021 (un-audited)

	Share capital AED'000	Share discount AED'000	Legal reserve AED'000	Special reserve AED'000	Fair value reserve AED'000	Accumulated losses AED'000	Total AED'000
Balance at 1 January 2020	3,180,982	(477,857)	450,688	450,688	(103,730)	(2,214,784)	1,285,987
Loss for the period	-	-	-	-	-	(99,491)	(99,491)
<i>Other comprehensive loss</i>							
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	(43,740)	-	(43,740)
Total comprehensive loss for the period	-	-	-	-	(43,740)	(99,491)	(143,231)
Balance at 31 March 2020 (un-audited)	3,180,982	(477,857)	450,688	450,688	(147,470)	(2,314,275)	1,142,756
Balance at 1 January 2021	3,180,982	(477,857)	-	-	(41,169)	(1,752,139)	909,817
Loss for the period	-	-	-	-	-	(19,620)	(19,620)
<i>Other comprehensive loss</i>							
Changes in fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	37	-	37
Total comprehensive loss for the period	-	-	-	-	37	(19,620)	(19,583)
Balance at 31 March 2021 (un-audited)	3,180,982	(477,857)	-	-	(41,132)	(1,771,759)	890,234

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Condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2021 (un-audited)

	Note	For the three-month period ended 31 March	
		2021 AED'000	2020 AED'000
Cash flows from operating activities			
Loss for the period		(19,620)	(99,491)
Adjustments:			
Depreciation		2,656	3,128
Net (gain)/loss on investment securities		(51)	11
Net impairment loss	16	59,703	119,967
Operating cash flows before changes in operating assets and liabilities		42,688	23,615
Changes in time deposits with Central banks maturing after three months		(274,894)	(175,000)
Change in statutory reserve requirement		5,451	(7,461)
Change in loans and advances to customers*		190,055	423,950
Change in other assets		35,290	(13,875)
Change in deposits from customers*		(98,286)	(491,701)
Change in due to banks		(25)	(28)
Change in other liabilities		(58,545)	(103,080)
Net cash used in operating activities		(158,266)	(343,580)
Cash flows from investing activities			
Purchase of property and equipment		(445)	(2,477)
Purchase of investment securities*		(750,000)	-
Proceeds from sale/redemption of investment securities		110,241	6,820
Net cash (used in)/generated from investing activities		(640,204)	4,343
Cash flows from financing activities			
Proceeds from repo financing*		1,484,614	-
Net cash generated from financing activities		1,484,614	-
Net change in cash and cash equivalents		686,144	(339,237)
Cash and cash equivalents at the beginning of the period		588,768	1,902,473
Cash and cash equivalents at the end of the period		1,274,912	1,563,236
Cash and cash equivalents as at 31 March			
Cash and deposits with central banks		1,160,489	963,879
Due from banks maturing within three months		114,423	599,357
		1,274,912	1,563,236

* Non-cash transactions

As disclosed in note 8, the bank entered into a repurchase agreement in March 2021. An amount of AED 1.25 billion of investment securities was received against a AED 1 billion in customers deposits from the Government of Sharjah as a non-cash transaction. AED 250 million was used to repay a loan to Government of Sharjah.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021

1 Legal status and activities

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

Invest bank is licensed by the Central Bank of the UAE (the "CB UAE") to carry out banking activities and is principally engaged in the business of corporate and retail banking through its network of branches located in the Emirate of Sharjah, Dubai and Abu Dhabi. Invest bank also carries out banking activities through its branch ("the branch") in Beirut, Lebanon licensed by Banque Du Liban (the "CB Lebanon"). The Bank's shares are listed on the Abu Dhabi Securities Exchange ("ADX").

The Bank has a fully owned subsidiary, ALFA Financial Services FZE with limited liability status in the Sharjah Airport International Free Zone to provide support services to the Bank.

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

The consolidated financial statements as at and for the three-month period ended 31 March 2021 comprise the Bank and its subsidiary (together referred to as "the Group").

2 Basis of preparation

(a) Statement of compliance

This condensed consolidated interim financial information has been prepared on the historical cost basis except for 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 2020, which has been prepared in accordance with International Financial Reporting Standards ("IFRS").

(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.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

2 Basis of preparation (continued)

(c) Consolidation

The condensed consolidated financial information incorporates the condensed consolidated interim financial information of Invest bank P.S.C. and its subsidiary (collectively referred to as "Group").

(i) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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").

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

2 Basis of preparation (continued)

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

(ii) Measurement of the expected credit loss allowance

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

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk ("SICR");
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward - looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(iii) Fair value of 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.

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 are the new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2021.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

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

- **Amendments to IFRS 3** - This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.
- **Amendments to IAS 1 and IAS 8** - These amendments to IAS 1, ‘Presentation of financial statements’, and IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.
- **Amendments to Conceptual framework** – The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:
 - increasing the prominence of stewardship in the objective of financial reporting
 - reinstating prudence as a component of neutrality
 - defining a reporting entity, which may be a legal entity, or a portion of an entity
 - revising the definitions of an asset and a liability
 - removing the probability threshold for recognition and adding guidance on derecognition
 - adding guidance on different measurement basis, and
 - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

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

3.2 New and revised IFRS in issue but not yet effective

New and revised IFRSs

Effective for annual periods beginning on or after

IFRS 17 Insurance Contracts

1 January 2023

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

Amendments to IAS 1, Presentation of financial statements’ on classification of liabilities - These 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 (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

1 January 2022

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

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 2020.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

4 Recapitalization and liquidity

Capitalisation

The Bank's Capital Adequacy Ratio ("CAR") was 11.23% at 31 March 2021, below the Central Bank of the UAE's ("CBUAE") regulatory minimum of 11.5%.

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

Liquidity

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

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

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

Given the liquidity support provided by the CBUAE and the Government of Sharjah's commitment to supporting the strengthening 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 financial statements have been prepared on a going concern basis.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

5 Accounting classification of financial assets and financial liabilities

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

	FVTPL	FVTOCI	Amortised cost	Total carrying amount
At 31 March 2021 (un-audited)	AED'000	AED'000	AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	1,525,374	1,525,374
Due from banks	-	-	114,289	114,289
Investment securities	2,482	10,173	2,000,000	2,012,655
Loans and advances to customers	-	-	6,743,590	6,743,590
Customers' indebtedness for acceptances	-	-	62,854	62,854
Other financial assets	-	-	49,682	49,682
	2,482	10,173	10,495,789	10,508,444
Financial liabilities				
Due to banks	-	-	1,873,074	1,873,074
Deposits from customers	-	-	8,049,174	8,049,174
Liabilities under acceptances	-	-	62,854	62,854
Other financial liabilities	-	-	97,946	97,946
	-	-	10,083,048	10,083,048
At 31 December 2020 (audited)				
	FVTPL	FVTOCI	Amortised cost	Total carrying amount
	AED'000	AED'000	AED'000	AED'000
Financial assets				
Cash and deposits with central banks	-	-	518,893	518,893
Due from banks	-	-	165,187	165,187
Investment securities	2,482	10,136	109,897	122,515
Loans and advances to Customers	-	-	7,243,637	7,243,637
Customers' indebtedness for acceptances	-	-	112,002	112,002
Other financial assets	-	-	40,637	40,637
	2,482	10,136	8,190,253	8,202,871
Financial liabilities				
Due to banks	-	-	388,485	388,485
Deposits from customers	-	-	7,147,460	7,147,460
Liabilities under acceptances	-	-	112,002	112,002
Other financial liabilities	-	-	112,983	112,983
	-	-	7,760,930	7,760,930

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

6 Cash and deposits with central banks

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Cash in hand	15,441	17,873
Deposits with central banks	1,419,942	405,578
Reserve requirements with the CB (refer note 6.1)	190,918	196,369
Less: Allowance for impairment (ECL) (refer note 6.2)	(100,927)	(100,927)
	<u>1,525,374</u>	<u>518,893</u>

The geographical concentration is as follow

- Within the U.A.E	1,368,750	365,610
- Outside the U.A.E	257,551	254,210
Less: Allowance for impairment (ECL) (refer note 6.2)	(100,927)	(100,927)
	<u>1,525,374</u>	<u>518,893</u>

6.1 Statutory reserve deposits are required to be maintained as per regulations of the Central Bank of the UAE and the Central Bank of Lebanon.

6.2 Allowance for impairment pertains to ECL on the amount in foreign currency held with the Central Bank of Lebanon as a prudent measure in light of the recent default by the country on its Eurobond issue that occurred in March 2020. A +/-5% change in the allowance rate would result in a AED +/-12 million change in ECL.

Due to the deteriorating situation in Lebanon management believes that Lebanon has now become a hyperinflationary economy and IAS 29 will be applicable for periods ending on or after 31 December 2020.

In practice, non-financial assets are exposed to hyperinflation. Monetary assets are less exposed to hyperinflationary accounting, as their pricing is adjusted in accordance with the fair market value. As per the initial assessment done by the management, hyperinflation accounting will not have a material impact on the consolidated financial statements of the Bank.

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

7 Due from banks

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Money market placements	20,000	70,000
Balances with other banks	94,423	95,317
Less: Allowance for impairment (ECL)	(134)	(130)
	<u>114,289</u>	<u>165,187</u>
The geographical concentration is as follow		
- Within the U.A.E	49,524	98,000
- Outside the U.A.E	64,899	67,317
Less: Allowance for impairment (ECL)	(134)	(130)
	<u>114,289</u>	<u>165,187</u>

8 Investment securities

The details of investments are as follows:

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Financial assets measured at fair value through profit or loss (FVTPL):		
Investments in quoted equity securities	2,482	2,482
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Investments in quoted equity securities	9,706	9,669
Investments in un-quoted equity securities	467	467
Financial assets at amortised cost:	2,000,000	110,190
Investments in debt securities (refer to note 8.1)	<u>2,012,655</u>	<u>122,808</u>
Less: Allowance for impairment (ECL)	-	(293)
	<u>2,012,655</u>	<u>122,515</u>

8.1 On 18 March 2021, the Bank entered into a repurchase arrangement with the CBUAE, collateralised by investments held in Government of Sharjah bonds maturing on 23 March 2022 in the amount of AED 2 billion, enabling the Bank to draw on AED 1.6 billion in liquidity support (as at 31 December 2020: AED 110M of investments in debt securities were pledged under repurchase agreements with a bank).

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

8 Investment securities (continued)

Fair value hierarchy

The table below analyses assets, measured at fair value at the end of the reporting period, by level into the fair value hierarchy, into which the fair value measurement is categorised. As at the end of the reporting period, liabilities measured at fair value are Nil (31 December 2020: Nil).

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2021 (un-audited)				
<u>Financial assets</u>				
FVTPL - equity securities	2,482	-	-	2,482
FVOCI - equity securities	9,706	-	467	10,173
<u>Non-financial assets</u>				
Repossessed properties (note 10)	-	-	457,374	457,374
	12,188	-	457,841	470,029
31 December 2020 (audited)				
<u>Financial assets</u>				
FVTPL - equity securities	2,482	-	-	2,482
FVOCI - equity securities	9,669	-	467	10,136
<u>Non-financial assets</u>				
Repossessed properties (note 10)	-	-	457,374	457,374
	12,151	-	457,841	469,992

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.

	31 March 2021 (Un-audited)		31 December 2020 (Audited)	
	Investment securities AED'000	Repossessed properties AED'000	Investment securities AED'000	Repossessed properties AED'000
As at 1 January	467	457,374	7,268	517,984
Fair value changes:				
- in profit or loss	-	-	-	(60,610)
Transfer				
- Disposals	-	-	(6,801)	-
As at end of period	467	457,374	467	457,374

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Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

9 Loans and advances to customers

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Overdrafts	5,822,562	5,992,281
Bills discounted	119,945	129,504
Trust receipts	489,932	473,245
Term loans	5,792,034	5,995,966
	12,224,473	12,590,996
Allowances for impairment (refer note 9.1 and 9.2)	(5,480,883)	(5,347,359)
Net loans and advances to customers	6,743,590	7,243,637

Stage wise analysis of products

	31 March 2021 (un-audited)			
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000
Overdrafts	1,306,083	566,048	3,950,431	5,822,562
Bills discounted	24,999	6,286	88,660	119,945
Trust receipts	135,686	30,323	323,923	489,932
Term loans	1,246,793	1,663,639	2,881,602	5,792,034
	2,713,561	2,266,296	7,244,616	12,224,473
	31 December 2020 (audited)			
Overdrafts	1,238,009	710,761	4,043,511	5,992,281
Bills discounted	30,772	9,823	88,909	129,504
Trust receipts	134,115	21,789	317,341	473,245
Term loans	1,637,684	1,488,295	2,869,987	5,995,966
	3,040,580	2,230,668	7,319,748	12,590,996

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

9 Loans and advances to customers (continued)

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

	31 March 2021			31 December 2020		
	Provision AED'000	Interest in suspense AED'000	Total AED'000	Provision AED'000	Interest in suspense AED'000	Total AED'000
At 1 January	4,270,048	1,077,311	5,347,359	4,074,580	662,120	4,736,700
Charge	60,046	96,318	156,364	319,851	-	319,851
Write back	-	-	-	(27,871)	-	(27,871)
Recoveries	(54)	(22,477)	(22,531)	(29,369)	(14,179)	(43,548)
Reversal of written off provision	29	-	29	(29,369)	(14,179)	(43,548)
Interest not recognised in the consolidated P&L	-	-	-	-	446,874	446,874
Amounts written off	(206)	(132)	(338)	(67,143)	(17,504)	(84,647)
As at period end	<u>4,329,863</u>	<u>1,151,020</u>	<u>5,480,883</u>	<u>4,270,048</u>	<u>1,077,311</u>	<u>5,347,359</u>

9.2 Staging movement

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

	31 March 2021 (un-audited)			
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	Total AED'000
Gross exposure as at 1 January 2021	3,040,580	2,230,668	7,319,748	12,590,996
Transfers				
Transfer from Stage 1 to Stage 2	(85,728)	85,728	-	-
Transfer from Stage 2 to Stage 1	92,393	(92,393)	-	-
Transfer from Stage 2 to Stage 3	-	(2)	2	-
Transfer from Stage 3 to Stage 2	-	178,048	(178,048)	-
Changes in EADs	(333,684)	(135,753)	102,914	(366,523)
Gross exposure as at 31 March 2021	<u>2,713,561</u>	<u>2,266,296</u>	<u>7,244,616</u>	<u>12,224,473</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

9 Loans and advances to customers (continued)

9.2 Staging movement (continued)

Customer exposure	31 December 2020 (audited)			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
	Gross exposure as at 1 January 2020	3,205,762	3,491,492	
Transfers:				
Transfer from Stage 1 to Stage 2	(527,862)	527,862	-	-
Transfer from Stage 1 to Stage 3	(2,257)	-	2,257	-
Transfer from Stage 2 to Stage 1	844,838	(844,838)	-	-
Transfer from Stage 2 to Stage 3	-	(779,058)	779,058	-
Transfer from Stage 3 to Stage 2	-	121,614	(121,614)	-
Changes in EADs	(479,901)	(286,404)	307,337	(458,968)
Gross exposure as at 31 December 2020	3,040,580	2,230,668	7,319,748	12,590,996

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

Customer loss allowance	31 March 2021 (un-audited)			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
	Loss allowance as at 1 January 2021	41,368	184,695	
Transfers:				
Transfer from Stage 1 to Stage 2	(389)	389	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	2,379	(2,379)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	67,329	(67,329)	-
Changes in PDs/ LGDs/ EADs	(13,240)	(54,089)	200,853	133,524
Loss allowance as at 31 March 2021	30,118	195,945	5,254,820	5,480,883

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

9 Loans and advances to customers (continued)

9.2 Staging movement (continued)

Customer loss allowance	31 December 2020 (audited)			Total AED'000
	Stage 1 12 month ECL AED'000	Stage 2 Lifetime ECL AED'000	Stage 3 Lifetime ECL AED'000	
	Loss allowance as at 1 January 2020	36,208	123,462	
Transfers				
Transfer from Stage 1 to Stage 2	(2,693)	2,693	-	-
Transfer from Stage 1 to Stage 3	(22)	-	22	-
Transfer from Stage 2 to Stage 1	2,032	(2,032)	-	-
Transfer from Stage 2 to Stage 3	-	(42,032)	42,032	-
Transfer from Stage 3 to Stage 1	-	-	-	-
Transfer from Stage 3 to Stage 2	-	46,332	(46,332)	-
Changes in PDs/ LGDs/ EADs	5,843	56,272	548,544	610,659
Loss allowance as at 31 December 2020	41,368	184,695	5,121,296	5,347,359

9.3 Gross credit exposure by industry segment

	31 March 2021 (un-audited)				31 December 2020 (audited)
	Stage 1 AED'000	Stage 2 AED'000	Stage 3 AED'000	Total AED'000	AED'000
Manufacturing	98,718	205,999	1,971,538	2,276,255	2,298,834
Construction	253,291	428,859	2,963,428	3,645,578	3,753,975
Real Estate	210,142	1,001,057	626,066	1,837,265	1,857,734
Trade	159,987	261,784	763,256	1,185,027	1,156,207
Transport, Storage and Communication	20,203	62,117	26,720	109,040	112,644
Financial Institutions	995,019	5,559	103,946	1,104,524	1,134,801
Other Services	654,920	37,224	212,461	904,605	849,221
Government	170,337	-	-	170,337	422,573
Individuals	9,233	3,101	13,127	25,461	28,289
High Net Worth Individuals	138,072	236,233	374,220	748,525	760,805
All others	3,639	24,363	189,854	217,856	215,913
Gross loans and advances	2,713,561	2,266,296	7,244,616	12,224,473	12,590,996

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

9 Loans and advances to customers (continued)

9.4 Expected credit loss by industry segment

	31 March 2021				31 December
	(un-audited)				2020
	Stage 1	Stage 2	Stage 3	Total	(audited)
	AED'000	AED'000	AED'000	AED'000	AED'000
Manufacturing	542	12,741	1,499,123	1,512,406	1,492,143
Construction	2,792	20,021	2,275,518	2,298,331	2,240,087
Real Estate	1,156	86,476	286,472	374,104	335,815
Trade	675	20,914	562,625	584,214	573,847
Transport, Storage and Communication	76	9,887	17,426	27,389	37,244
Financial Institutions	876	20	85,424	86,320	85,757
Other Services	19,315	683	164,569	184,567	180,379
Government	330	-	-	330	6,176
Individuals	2,517	268	9,801	12,586	16,648
High Net Worth					
Individuals	1,792	41,012	193,968	236,772	222,521
All others	47	3,923	159,894	163,864	156,742
Loss allowances	30,118	195,945	5,254,820	5,480,883	5,347,359

10 Other assets

	31 March	31 December
	2021	2020
	(un-audited)	(audited)
	AED'000	AED'000
Interest receivable	26,778	17,422
Repossessed properties (refer to note 10.1)	457,374	457,374
Property plant and equipment	75,280	77,491
Prepayments and other assets	23,798	19,296
Customers' indebtedness for acceptances	62,854	112,002
	646,084	683,585

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

11 Related party transactions

In the normal course of business, the Group enters into various transactions with related parties including Board of directors, their related companies and key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director, executive or otherwise, of the Group. The related party transactions are executed at the terms agreed between the parties. The volume of related party transactions, outstanding balances at the period and year end, and related income and expenses for the period and year are as follows:

	31 March 2021 (un-audited)		31 December 2020 (audited)	
	Board of directors AED'000	Other balances associated with board of directors AED'000	Board of directors AED'000	Other balances associated with board of directors AED'000
Loans				
Loans outstanding	<u>48,475</u>	<u>594,194</u>	<u>47,874</u>	<u>589,012</u>
Deposits				
Deposits	<u>12,439</u>	<u>1,771,794</u>	<u>7,332</u>	<u>1,110,592</u>
Commitments and contingent Liabilities				
Outstanding letters of credit and guarantees	<u>-</u>	<u>417</u>	<u>-</u>	<u>758</u>

None of the loans granted to related parties are impaired or past due as at 31 March 2021 (31 December 2020: Nil).

The loans extended to directors during the period are repayable over 1 year and bear interest at rates ranging from 4% to 10% per annum. At 31 March 2021, outstanding loans and advances due from related parties are secured by deposits under lien amounting to AED 302.1 million (31 March 2020: AED 604.2 million).

	31 March 2021 (un-audited)		31 March 2020 (un-audited)	
	Board of directors AED'000	Other exposures associated with board of directors AED'000	Board of directors AED'000	Other exposures associated with board of directors AED'000
Interest income	<u>601</u>	<u>8,733</u>	<u>1,384</u>	<u>11,166</u>
Interest expense	<u>(44)</u>	<u>(10,723)</u>	<u>(43)</u>	<u>(15,681)</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

11 Related party transactions (continued)

Key management personnel

	31 March 2021 (un-audited) AED'000	31 March 2020 (un-audited) AED'000
Salaries and other short term benefits	2,841	2,841
Termination benefits	117	117
	<u>2,958</u>	<u>2,958</u>

12 Due to banks

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Balances with other banks	74	99
Zero cost facility from Central Bank of the U.A.E	273,000	273,000
Repo against fixed income securities (refer to note 8.1)	1,600,000	115,386
	<u>1,873,074</u>	<u>388,485</u>

13 Deposits from customers

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Time deposits	6,208,271	5,363,020
Savings accounts	130,555	119,082
Current and other accounts	1,710,348	1,665,358
	<u>8,049,174</u>	<u>7,147,460</u>

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

14 Other liabilities

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Interest payable	62,278	54,339
Unearned commission income	21,783	22,436
Staff benefits payable	15,502	16,050
Accrued expenses	37,421	19,652
Manager's cheques	3,773	20,631
Liabilities under acceptances	62,854	112,002
Others	25,899	42,945
	<u>229,510</u>	<u>288,055</u>

15 Share capital

	Un-audited 31 March 2021 AED'000	Audited 31 December 2020 AED'000
Authorised share capital <i>6,300,000 thousand shares of AED 1 each</i> <i>(2020: 6,300,000 thousand shares of AED 1 each)</i>	<u>6,300,000</u>	<u>6,300,000</u>
Issued capital and paid-up capital <i>3,180,982 thousand shares of AED 1 each</i> <i>(2020: 3,180,982 thousand shares of AED 1 each)</i>	<u>3,180,982</u>	<u>3,180,982</u>

Share discount

At the General Meeting held on 10 April 2019 it was approved to issue of 1,592,857,143 shares of AED 1 each, to the Government of Sharjah at a discounted price of AED 0.7 per share. The resulting share discount of AED 478 million is shown as a debit balance within equity as a share discount.

Dividend

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

Capital adequacy ratio

As per the Central bank regulation for Basel III, the capital requirement as at 31 March 2021 is 11.5% (31 December 2020: 11.5% inclusive of capital conservation buffer). As part of the CB UAE regulatory support announced in March 2020, banks have been relieved from the requirement to hold a capital conservation buffer.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (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 10.5% of risk weighted assets (RWA).

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

As shown in the table below, the Bank is in compliance with all the above regulatory ratios.

The Group's regulatory capital position was as follows:

	31 March 2021 (un-audited) AED'000	31 December 2020 (un-audited) AED'000
Tier 1 Capital		
Share capital	3,180,982	3,180,982
Share discount	(477,857)	(477,857)
Fair value reserve	(41,132)	(41,169)
Accumulated losses	(1,726,762)	(1,805,577)
Total tier 1 capital	<u>935,231</u>	<u>856,379</u>
Tier 2 Capital		
General provision	<u>107,791</u>	<u>104,361</u>
Total tier 2 capital	<u>107,791</u>	<u>104,361</u>
Total regulatory capital	<u>1,043,022</u>	<u>960,740</u>
Key weighted assets		
Credit risk	8,623,283	8,348,882
Market risk	38,141	32,390
Operational, risk	625,363	1,005,239
Total risk weighted assets (RWA)	<u>9,286,787</u>	<u>9,386,511</u>
Total regulatory capital expressed as % of RWA	11.23%	10.24%
Total tier 1 capital expressed as % of RWA	10.07%	9.12%

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

16 Net impairment loss

	31 March 2021 (un-audited) AED'000	31 March 2020 (un-audited) AED'000
Impairment charge on loans and advances	60,046	145,043
Impairment charge on cash and deposits with central banks	4	25,000
Recoveries on investment securities	(293)	-
Recoveries of loans and advances	(54)	(50,076)
	<u>59,703</u>	<u>119,967</u>

16.1 Includes AED 0.3 million (30 March 2020: AED 0.16 million) recovered from balances previously written off.

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (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:

	31 March 2021 (un-audited)			31 March 2020 (un-audited)		
	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000
Net interest and other income	79,958	2,715	82,673	64,353	10,419	74,772
Net impairment loss	(59,995)	293	(59,702)	(119,967)	-	(119,967)
Loss for the period	(21,537)	1,917	(19,620)	(108,029)	8,538	(99,491)
Segment capital expenditure	445	-	445	2,477	-	2,477
Segment depreciation	2,656	-	2,656	3,128	-	3,128
	31 March 2021 (un-audited)			31 December 2020 (audited)		
	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000	Commercial banking AED'000	Treasury & investments AED'000	Total AED'000
Segment total assets	7,541,621	3,500,371	11,041,992	7,140,627	1,593,190	8,733,817
Segment total liabilities	8,277,228	1,874,530	10,151,758	7,548,718	275,282	7,824,000

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

18 Loss per share

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

	31 March 2021 (un-audited)	31 March 2020 (un-audited)
Loss attributable to ordinary shareholders (AED'000)	<u>(19,620)</u>	<u>(99,491)</u>
Weighted average number of shares outstanding at 31 March (AED'000)	<u>3,180,982</u>	<u>3,180,982</u>
Loss per share (AED)	<u>(0.01)</u>	<u>(0.03)</u>

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

19 Commitments and contingent liabilities

	31 March 2021 (un-audited) AED'000	31 December 2020 (audited) AED'000
Letters of credit	70,236	99,520
Letters of guarantee	3,040,325	3,331,940
Irrevocable commitments to extend credit	76,088	81,224
Foreign exchange and forward commitments	25,285	21,474
	<u>3,211,934</u>	<u>3,534,158</u>

20 Risk management

Impact of COVID-19

On 11 March 2020, the World Health Organisation ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. This note describes the impact of the outbreak on the Bank's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 31 March 2021.

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

20 Risk management (continued)

Impact of COVID-19 (continued)

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

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

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

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

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

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

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

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

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

20 Risk management (continued)

Impact of COVID-19 (continued)

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

	31 March 2021 (un-audited)			
	Total exposure AED'000	ECL AED'000	Group 1 Deferred exposure AED'000	Group 2 Deferred exposure AED'000
Manufacturing	150,431	17,280	7,439	16,636
Construction	44,800	330	599	-
Real Estate	357,061	100	28,502	1,615
Trade	326,248	9,382	57,707	3,811
Transport, Storage and Communication	14,769	478	1,552	-
Financial Institutions	248,233	-	247,200	-
High Net Worth Individuals	161,493	2,393	17,492	-
All Other Services	40,377	820	3,812	634
	1,343,412	30,783	364,303	22,696
	31 December 2020 (audited)			
	Total exposure AED'000	ECL AED'000	Group 1 Deferred exposure AED'000	Group 2 Deferred exposure AED'000
Manufacturing	152,899	18,628	5,134	15,526
Construction	55,729	1,614	892	-
Real Estate	256,698	38	11,119	-
Trade	344,493	14,585	49,834	11,803
Transport, Storage and Communication	15,048	801	1,552	-
Financial Institutions	247,200	-	247,200	-
High Net Worth Individuals	2	-	2	-
Individuals	152,101	2,825	17,492	-
All Other Services	41,831	1,333	4,203	636
	1,266,001	39,824	337,428	27,965

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

20 Risk management (continued)

Impact of COVID-19 (continued)

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

	(un-audited)			
	Total exposure AED'000	ECL AED'000	Group 1 Deferred exposure AED'000	Group 2 Deferred exposure AED'000
At 31 March 2021				
Overdraft	112,277	911	3,000	-
Trust receipts	83,235	2,189	33,448	9,899
Term loans	1,147,900	27,683	327,855	12,797
	1,343,412	30,783	364,303	22,696
At 31 December 2020				
Overdraft	90,511	765	3,018	-
Trust receipts	93,118	13,107	304,611	14,412
Term loans	1,082,372	25,952	29,799	13,553
	1,266,001	39,824	337,428	27,965

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

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	549,220	680,201	36,580	1,266,001
Transfer to Stage 1	(1,343)	1,343	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in EADs	(35,891)	112,835	467	77,411
Balance at 31 March 2021 (un-audited)	511,986	794,379	37,047	1,343,412

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

20 Risk management (continued)

Impact of COVID-19 (continued)

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

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2021	3,099	20,906	15,819	39,824
Transfer to Stage 1	(1)	1	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Changes in PDs/ LGDs/ EADs	(1,669)	(6,988)	(384)	(9,041)
Balance at 31 March 2021 (un-audited)	<u>1,429</u>	<u>13,919</u>	<u>15,435</u>	<u>30,783</u>

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

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

For Corporate clients

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

Invest bank P.S.C.

Notes to the condensed consolidated interim financial information for the three-month period ended 31 March 2021 (continued)

20 Risk management (continued)

Use of estimates and judgements

The Bank exercises significant judgement in assessing and estimating areas such as Expected Credit Losses. Given the uncertainty and limited forward looking information, the Bank has taken the approach of implementing a judgmental overlay to the ECL model by changing its macroeconomic weightages. Going forward, the Bank will continue to monitor and evaluate the impact of the outbreak, and will consider adjusting its ECL model in subsequent periods, if required.

21. Subsequent Events

There are no significant events after the reporting period, which affect the financial statements or disclosures.