

Management Discussion & Analysis

Invest Bank Financial Highlights

For the year-ended 31 December 2018

Financial Statements – Summary							
Income Statement				Balance Sheet			
(AED million)	Dec 2018	Dec 2017	Var.	(AED million)	Dec 2018	Dec 2017	Var.
Net interest income	394	534	-26%	Loans & advances	10,075	12,466	-19%
Net fees and commission	205	228	-10%	Customer Deposits	12,635	13,594	-7%
Operating income	508	795	-35%	Shareholders' Funds	747	2,540	-71%
Net impairment	(1,695)	(872)		Total Assets	14,026	16,949	-17%
Net operating loss	(1,187)	(77)					
Operating expenses	(286)	(200)					
Net loss	(1,473)	(277)					
Basic EPS (Fils)	(92.7)	(17.5)					



Key Ratios

	2018	2017		2018	2017
Capital adequacy ratio	*6.2%	15.9%	Liquid asset ratio	14.8%	16.6%
Tier 1 ratio	5.1%	14.8%	Loans to deposit ratio	79.6%	91.7%
Advances stable resources	91.3%	90.9%			

* The capital adequacy ratio after the capital injection is 13.8%.

The Bank's assets stood at AED 14.0 billion as at 31 December 2018, down 17% from AED 16.9 billion recorded in the previous year, following a comprehensive review of its loan portfolio and measures taken to deleverage the balance sheet and record necessary provisions. Customer deposits stood at AED 12.6 billion (31 December 2017: AED 13.6 billion) while the Bank recorded net loans of AED 10.1 billion (31 December 2017: AED 12.5 billion).

Against this backdrop, operating income for 2018 was AED 508 million, down 35% from the previous year (FY 2017: AED 795 million). Invest Bank's net interest income for FY 2018 was AED 394 million (FY 2017: AED 534 million) with net fee and commission income slightly falling to AED 205 million (FY 2017: AED 228 million).

In addition to the review of legacy loans, the Bank took major steps to enhance its corporate governance, strengthening the areas around credit underwriting and risk monitoring. The Bank booked AED 1,695 million of impairment provisions for FY 2018, which led to a net loss for the year of AED 1,473 million (FY 2017: net loss AED 277 million). The Bank's equity dropped to AED 747 million and its capital adequacy ratio fell to 6.2%. Despite these challenges, the Bank managed to maintain sound liquidity ratios. Loans-to-deposits ratio stood at 79.6% and the liquid asset ratio was 14.8%, which was mainly attributable to the stable deposit base.

To protect the interests of shareholders and to prepare itself for future business needs, the Bank has agreed a strategic investment with the Government of Sharjah, which recapitalized the Bank and elevated the capital adequacy ratio to 13.8%, above the regulatory limit set by the Central Bank of the UAE.

The Government of Sharjah's investment in the Bank, which totals AED 1.9 billion, is through a two-stage process, in which it will follow its April 2019 injection of AED 1.115 billion by underwriting a rights issue of AED 785 million later in 2019. The Bank has also hired a new Chief Executive Officer, Chief Risk Officer and Chief Operating Officer to lead the Bank's day-to-day operations.

Commenting on the results, H.E. Sheikh Sultan Bin Ahmed Al Qasimi, Chairman of Invest Bank, said:

"2018 proved to be a very challenging year for Invest Bank. Prior weak governance and credit underwriting practices, compounded with a subdued economic environment, led to a significant deterioration in asset quality, with the Bank suffering a net loss for the year. But the way forward is clear. With the Government of Sharjah's support, recently implemented corporate governance and prudent risk measures, a highly experienced management team and a new strategic direction, the Bank will build on its heritage of trust to return to strength, and is well-poised to create value for all its stakeholders."

-Ends-

About Invest Bank

Invest Bank is a Sharjah-based public shareholding company established in 1975. The Bank's shares are publicly traded on the Abu Dhabi Securities Market (ADX). The Bank has total assets of AED 14.0 billion as at 31 December 2018.

In its 43 years of operations, Invest Bank has grown into a diversified full-service bank providing a wide range of corporate and retail banking services. This steady growth is rooted in Invest Bank's commitment to customer service and building lasting partnerships.

The Bank operates a network of 15 branches in the United Arab Emirates and an international branch in Lebanon.

Media contacts:

Brunswick Group

Email: InvestBank@brunswickgroup.com

Telephone: 04 560 9600

