

## Management Discussion & Analysis

### Invest Bank Financial Highlights

#### For the period ended March 31, 2019

Financial Statements – Summary							
Income Statement				Balance Sheet			
(AED million)	Mar 2019	Mar 2018	Var.	(AED million)	Mar 2019	Dec 2018	Var.
Net interest income	57	122	-53%	Loans & advances	10,051	10,075	-1%
Non-interest income	43	56	-23%	Customer Deposits	10,902	12,635	-14%
<b>Operating income</b>	<b>100</b>	<b>178</b>	<b>-44%</b>	Shareholders' Equity	645	747	-14%
Net impairment	(147)	(55)		Total Assets	12,164	14,026	-13%
<b>Net operating (loss) / profit</b>	<b>(47)</b>	<b>123</b>					
Operating expenses	(59)	(58)					
<b>Net (loss)/ profit for the period</b>	<b>(106)</b>	<b>65</b>					
Basic EPS (Fils)	(6.67)	4.07					



Key Ratios		
	2019	2018
Capital adequacy ratio	*5.6%	6.2%
Loans to deposit ratio	92.2%	79.7%

\* The capital adequacy ratio after the capital injection is 13.3% (13.8%-2018).

The Bank's assets stood at AED 12.2 billion as at March 31, 2019, down 13% from AED 14.0 billion recorded at FY 2018 year-end, owed to the comprehensive review of its loan portfolio and measures taken to deleverage the balance sheet that the bank embarked on in early 2018. Customer deposits stood at AED 10.9 billion as of March 31, 2019 while the Bank's loan book for the same period recorded AED 10.1 billion.

In light of those measures and against a challenging macro environment, operating income for the Q1 2019 dropped to AED 100 million, mainly due to the drop in net interest income. Net interest income fell to AED 57 million as result of the deterioration in the loan book witnessed in 2018.

As a result of the major steps taken by the bank to enhance its corporate governance, strengthen the areas around credit underwriting and risk monitoring and the astute review of legacy loans, the Bank managed to prevent further deterioration in the loan book. Impairment provisions booked during the first quarter reached AED 147 million, which is lower than AED 2.2 billion impairment provisions booked for FY2018. Despite these challenges, the Bank managed to maintain its liquidity levels and loans-to-deposits ratio stood at 92.2%, 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 in April 2019, which recapitalized the Bank and elevated the capital adequacy ratio to 13.3% (vs. 13.8% as at 31 December 2018), 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.