

Management Discussion & Analysis

Invest Bank Financial Highlights

For the six month period ended 30 June 2022

Income Statement (AED million)	Financial Statements – Summary			Balance Sheet			
	1H 2022	1H 2021	Var.	(AED million)	Jun 2022	Dec 2021	Var.
Net interest income	48	92	-48%	Cash and deposits with CB	873	1,446	-40%
Net fees and commission	35	35	-	Investments	2,087	2,012	4%
Operating income	84	127	-34%	Loans & advances	5,175	5,930	-13%
Operating expenses	(90)	(83)	8%	Customer Deposits	7,922	8,471	-6%
Operating (loss) / profit before impairment charge	(6)	44	-114%	Shareholders' Funds	392	621	-37%
Net impairment charge	(53)	(109)	-51%	Total Assets	8,717	10,060	-13%
Loss for the period	(59)	(65)	-9%				
Basic EPS (Fills)	(1.86)	(2.04)					

Key Ratios		
Capital adequacy ratio	7.1%	9.3%
Liquid asset ratio	10.3%	18.6%
Loans to deposit ratio	65.3%	70.0%

The Bank reported operating income of AED 84M in 1H of 2022. Lower interest income derived primarily from performing loans and interest in suspense recoveries, offset partly by higher investment income and lower interest expenses was the main driver. Non-interest income in 1H 2022 was at the same level as comparable period. Operating expenses were higher due to transformation expenses and our continued investment in the business.

The net loss for 1H 2022 was AED 59M, lower 9% compared to the comparable period last year mainly on account of lower impairment charge of AED 53M compared to AED 109M in 1H 2021. This was partially offset by decrease in revenue by 34% to reach AED 84M in H1 2022. Further, net interest income was lower due to lower performing loan volumes.

The Bank's total assets were AED 8.7 Billion (AED 10.1B at YE 2021), down by 13%, mainly due to decrease in loans and advances by 13% and lower cash & deposit with the Central Bank as financing under repo arrangement was reduced.

Shareholders' fund reached AED 392M on account of an exceptional foreign currency translation loss of AED 170M on our Lebanon branch. Since the adoption of Sayrafa rate – published on BDL portal (the Central bank of Lebanon), which is more reflective of the market foreign exchange rate as compared to the official US\$/LBP rate which is pegged to the US\$ at 1,507.5. The Sayrafa exchange rate is US\$/LBP 25,200 as at 30 June 2022. Accordingly, the Bank applied Sayrafa rate prevailing at the 30 June 2022 to translate the foreign currency balances of foreign branch at the reporting date which resulted in a currency translation loss recorded in equity through OCI for the three month period ended 30 June 2022.

The Bank's majority shareholder, the Government of Sharjah, in close coordination with the Central Bank of UAE, is diligently working to strengthen the Bank's capital base through a capital solution which received the final CBUAE approval in late June 2022 and the Bank is at the final stages of getting remaining approvals to finalize the solution.

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