

**Arab Bank for Investment and
Foreign Trade PJSC**

Condensed interim financial information

For the three month period ended 31 March 2021

Principal business address:

P.O. Box 46733
Abu Dhabi
United Arab Emirates

Arab Bank for Investment and Foreign Trade PJSC

Review report and condensed interim financial information

For the three-months period ended 31 March 2021

<i>Contents</i>	<i>Pages</i>
Report on review of condensed interim financial information	1
Condensed interim statement of financial position	2
Condensed interim statement of comprehensive income	3
Condensed interim statement of changes in equity	4
Condensed interim statement of cash flows	5
Notes to the condensed interim financial information	6 - 30

Review report on condensed interim financial information to the directors of Arab Bank for Investment and Foreign Trade PJSC

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Arab Bank for Investment and Foreign Trade PJSC (the "Bank") as at 31 March 2021 and the related condensed interim statements of 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 this condensed 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 condensed 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 interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
17 May 2021



Jacques Fakhoury
Registered Auditor Number 379
Place: Abu Dhabi, United Arab Emirates

Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Financial Position

As at 31 March 2021

		(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
	Note		
Assets			
Cash and balances with the Central Bank of the UAE	7	2,029,558	3,102,884
Due from banks – net	8	2,009,313	1,686,180
Investments at fair value through other comprehensive income (FVOCI) – net		2,313,538	2,406,828
Investments at fair value through profit or loss (FVTPL)		11,021	11,021
Investments at amortised cost		29,139	31,905
Loans and advances – net	9	15,425,704	15,671,535
Investment properties – net	10	328,110	330,776
Other assets	12	380,346	409,248
Property and equipment	13	281,113	282,011
		22,807,842	23,932,388
Asset held-for-sale	11	49,690	49,690
Total assets		22,857,532	23,982,078
Liabilities			
Customers' deposits	14	15,409,464	16,226,696
Due to banks	15	3,058,204	3,418,217
Other liabilities	16	684,414	671,085
Total liabilities		19,152,082	20,315,998
Equity			
Share capital	17	1,500,000	1,500,000
Statutory reserve	17	642,722	642,722
Special reserve	17	638,132	638,132
General reserve	17	380,000	380,000
Revaluation reserve	17	129,613	129,613
Fair value reserve	17	81,865	98,430
Retained earnings		333,118	277,183
Total equity		3,705,450	3,666,080
Total liabilities and equity		22,857,532	23,982,078

This condensed interim financial information was authorised and approved for issue by the Board of

Directors on 17 May 2021, and signed on their behalf by:

Farhat Omar ben Gdara
Chairman

Charles Doghlass
Acting Chief Executive Officer

The notes on pages 6 to 30 are an integral part of the condensed interim financial information
The independent auditor's report on review of the condensed interim financial information is set out on page 1

Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Comprehensive Income

For the three-months period ended 31 March 2021 (Unaudited)

		Three month period ended 31 March	
	Note	2021 AED'000	2020 AED'000
Interest income	19	158,742	226,092
Interest expense	20	(29,942)	(69,135)
Net interest income		128,800	156,957
Income from Islamic financing contracts	21	22,022	27,871
Depositors' share of profit	22	(5,348)	(11,779)
Net income from Islamic financing		16,674	16,092
Net interest and Islamic financing income		145,474	173,049
Fee and commission income	23	25,200	33,869
Fee and commission expense	23	(2,175)	(2,445)
Net fee and commission income		23,025	31,424
Dividend income		3,616	5,904
Net investment income		287	359
Net foreign exchange gain / (loss)		(3,632)	7,052
Other operating income	24	14,474	5,178
		14,745	18,493
Operating income		183,244	222,966
General, administration and other operating expenses	25	(67,223)	(68,507)
Profit before net impairment charge		116,021	154,459
Net impairment charge on financial assets	26	(60,086)	(86,298)
Net profit for the period		55,935	68,161
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Change in fair value of equity investments at FVOCI		4,289	(38,294)
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of debt investments at FVOCI		(20,854)	(139,079)
Other comprehensive loss for the period		(16,565)	(177,373)
Total comprehensive income / (loss) for the period attributable to shareholders		39,370	(109,212)
Basic and Diluted earnings per share for profit attributable to the ordinary equity holders of the Bank	29	0.75	0.91

The notes on pages 6 to 30 are an integral part of the condensed interim financial information.
The independent auditor's report on review of the condensed interim financial information is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Changes in Equity

For the three-months period ended 31 March 2021 (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Revaluation reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2020	1,500,000	642,722	638,132	380,000	129,542	55,457	1,168,876	4,514,729
Profit for the period	-	-	-	-	-	-	68,161	68,161
Other comprehensive loss for the period	-	-	-	-	-	(177,373)	-	(177,373)
Total comprehensive loss for the period	-	-	-	-	-	(177,373)	68,161	(109,212)
Zakat paid	-	-	-	-	-	-	(1,871)	(1,871)
Balance at 31 March 2020	1,500,000	642,722	638,132	380,000	129,542	(121,916)	1,235,166	4,403,586
Balance at 1 January 2021	1,500,000	642,722	638,132	380,000	129,613	98,430	277,183	3,666,080
Profit for the period	-	-	-	-	-	-	55,935	55,935
Other comprehensive loss for the period	-	-	-	-	-	(16,565)	-	(16,565)
Total comprehensive income for the period	-	-	-	-	-	(16,565)	55,935	39,370
Balance at 31 March 2021	1,500,000	642,722	638,132	380,000	129,613	81,865	333,118	3,705,450

The notes on pages 6 to 30 are an integral part of the condensed interim financial information.

The independent auditor's report on review of the condensed interim financial information is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Cash Flows

For the three-months period ended 31 March 2021 (Unaudited)

		Three month period ended 31 March	
		2021	2020
	Note	AED'000	AED'000
Operating activities			
Net profit for the period		55,935	68,161
<i>Adjustments for:</i>			
Depreciation		8,404	8,047
Net impairment charge on financial assets	26	60,086	86,298
Amortization of premium on bonds		2,731	4,159
Operating cash flows before payment of employees' end of service benefits and changes in working capital		127,156	166,665
<i>Changes in:</i>			
Loans and advances		174,558	(565,777)
Due from banks		(152)	-
Other assets		28,902	(33,537)
Customers' deposits		(817,232)	133,703
Due to banks		(360,013)	244,705
Other liabilities		20,541	5,998
Cash reserve with Central Bank of the UAE		251,502	(25,333)
Net cash flows used in operating activities		(574,738)	(73,576)
Investing activities			
Purchases of property and equipment	13	(4,840)	(3,306)
Proceeds from sale/redemption of investments at FVOCI		102,844	18,365
Proceeds from redemption of investments at amortized cost		2,260	2,262
Purchases of investments at FVOCI		(27,157)	(171,738)
Net cash flows generated from / (used in) investing activities		73,107	(154,417)
Net decrease in cash and cash equivalents		(501,631)	(227,993)
Cash and cash equivalents at 1 January		3,816,875	3,649,264
Cash and cash equivalents at 31 March		3,315,244	3,421,271

The notes on pages 6 to 30 are an integral part of the condensed interim financial information.
The independent auditor's report on review of the condensed interim financial information is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

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

1 Legal status and principal activities

Arab Bank for Investment and Foreign Trade PJSC (the “Bank”) was incorporated in the Emirate of Abu Dhabi by Union Decree No. 50 of 1976 as a Public Joint Stock Company in accordance with Federal Law No (8) of 1984 (as amended), and UAE Companies Law of 2015 (UAE Federal Law No. (2) issued on 1 April 2015). The address of the Bank’s registered office is P.O. Box 46733 Abu Dhabi, United Arab Emirates.

The Bank is engaged in commercial and retail banking activities and carries out its operations solely in the United Arab Emirates through its nine branches.

The Bank’s Islamic banking activities are conducted in accordance with Islamic Sharia’a laws issued by the Sharia’a Supervisory Board of the Bank.

The financial statements of the Bank as at and for the period ended 31 March 2020 and for the year ended 31 December 2020 are available upon request from the Bank’s registered address at P. O. Box 46733, Abu Dhabi, United Arab Emirates.

2 Summary of significant accounting policies

2.1 Basis of preparation

The condensed interim financial information has been prepared on a going concern basis and in accordance with IAS 34 Interim Financial Reporting and the requirements of the applicable laws in the UAE. They do not include all of the information required for full annual financial statements as required under IFRS. This condensed interim financial information should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2020 which were prepared in accordance with International Financial Reporting Standards (“IFRS”), except for the changes in accounting policies mentioned in note 2.2.

UAE Federal Law No 2 of 2015 being the Commercial Companies Law (“UAE Companies Law of 2015”) was issued on 1 April 2015 and has come into force on 1 July 2015. The Bank has complied, where applicable, with the UAE Federal Law of No 2 of 2015.

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 condensed interim financial information is presented in United Arab Emirates Dirhams (“AED”) which is the functional currency of the Bank, rounded to the nearest thousand.

The results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Arab Bank for Investment and Foreign Trade PJSC

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

2 Summary of significant accounting policies (continued)

2.2 Application of new and revised International Financial Reporting Standards (IFRSs)

New and revised IFRSs effective for accounting periods beginning on or after 1 January 2021

In the current period, the Bank has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2021. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Bank’s future transactions or arrangements.

- Amendments to IFRS 3 – definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of material
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform – Phase 1

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after 1 January 2021.

Standards and Interpretations in issue but not yet effective

The Bank has not early adopted new and revised IFRSs that have been issued but are not yet effective.

New standards and significant amendments to standards applicable to the Bank:	Effective for annual periods beginning on or after
Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions: As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs	1 January 2021
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase: The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one	1 January 2021

Arab Bank for Investment and Foreign Trade PJSC

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

2 Summary of significant accounting policies (continued)

2.3 Application of new and revised International Financial Reporting Standards (IFRSs)

Standards and Interpretations in issue but not yet effective

New standards and significant amendments to standards applicable to the Bank:	Effective for annual periods beginning on or after
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 noncurrent, 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 2023
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16: Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	1 January 2022
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8: The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies	1 January 2023

Management anticipates that these amendments will be adopted in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by management.

Arab Bank for Investment and Foreign Trade PJSC

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

3 Judgments and estimates

The preparation of the condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, equity, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimates uncertainty were the same as those described in the audited financial statements as at and for the year ended 31 December 2020.

4 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year period ended 31 December 2020.

Exposure to credit risk

The Bank measures its exposure to credit risk by reference to the gross carrying amount of financial assets less amounts offset, interest suspended and impairment losses, if any. The carrying amounts of financial assets represent the maximum credit exposure.

Credit quality analysis

The following table sets out information about the credit quality of financial assets as at 31 March 2021 and 31 December 2020. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 March 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Due from banks								
Low-fair risk	1,598,452	414,261	-	2,012,713	529,696	1,162,183	-	1,691,879
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	1,598,452	414,261	-	2,012,713	529,696	1,162,183	-	1,691,879
Loss allowance (Stage 1 + Stage 2)	(1,871)	(1,529)	-	(3,400)	(2,438)	(3,261)	-	(5,699)
Carrying amount	1,596,581	412,732	-	2,009,313	527,258	1,158,922	-	1,686,180

Arab Bank for Investment and Foreign Trade PJSC

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

4 Financial risk management (continued)

Exposure to credit risk (continued)

	31 March 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
Low-fair risk	8,837,826	3,998,209	-	12,836,035	9,777,439	2,634,889	-	12,412,328
Higher risk	8,393	1,190,370	-	1,198,763	14,169	1,984,994	-	1,999,163
Grade 8: Substandard	-	-	1,760,471	1,760,471	-	-	1,508,779	1,508,779
Grade 9: Doubtful	-	-	1,920,533	1,920,533	-	-	1,924,154	1,924,154
Grade 10: Loss	-	-	81,794	81,794	-	-	82,040	82,040
Total gross carrying amount	8,846,219	5,188,579	3,762,378	17,797,596	9,791,608	4,619,883	3,514,973	17,926,464
Loss allowance (Stage 1 + Stage 2)	(117,859)	(382,817)	-	(500,676)	(130,250)	(448,332)	-	(578,582)
Loss allowance (Stage 3)	-	-	(1,609,096)	(1,609,096)	-	-	(1,451,351)	(1,451,351)
Interest in suspense	-	-	(243,991)	(86,151)	-	-	(206,145)	(206,145)
Deferred Profit	(18,129)	-	-	(18,129)	(18,851)	-	-	(18,851)
Carrying amount	8,710,231	4,805,762	1,909,711	15,425,704	9,642,507	4,171,551	1,857,477	15,671,535

Arab Bank for Investment and Foreign Trade PJSC

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

4 Financial risk management (continued)

Exposure to credit risk (continued)

	31 March 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt Securities – FVOCI								
Low-fair risk	2,119,090	87,586	-	2,206,676	2,150,920	154,425	-	2,305,345
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	2,119,090	87,586	-	2,206,676	2,150,920	154,425	-	2,305,345
Loss allowance (Stage 1 + Stage 2)	(12,153)	(3,488)	-	(15,641)	(13,177)	(3,563)	-	(16,740)
Carrying amount	2,106,937	84,098	-	2,191,035	2,137,743	150,862	-	2,288,605

The allowance for impairment on debt instruments designated at FVTOCI is included in revaluation reserve of investments carried at FVTOCI and recognized in other comprehensive income.

	31 March 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt Securities – Amortised cost								
Low-fair risk	29,383	-	-	29,383	32,238	-	-	32,238
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	29,383	-	-	29,383	32,238	-	-	32,238
Loss allowance (Stage 1 + Stage 2)	(244)	-	-	(244)	(333)	-	-	(333)
Carrying amount	29,139	-	-	29,139	31,905	-	-	31,905

Arab Bank for Investment and Foreign Trade PJSC

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

4 Financial risk management (continued)

Capital management

The Bank's regulatory capital positions as 31 March 2021 and 31 December 2020 is as follows:

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Tier 1 capital		
Share capital	1,500,000	1,500,000
Statutory reserve	642,722	642,722
Special reserve	638,132	638,132
General reserve	380,000	380,000
Fair value reserve	36,839	44,294
Retained earnings	333,118	277,183
IFRS transitional arrangement: Partial addback of ECL	102,541	181,705
Eligible Tier 1 capital (a)	<u>3,633,352</u>	<u>3,664,036</u>
 Tier 2 capital		
Eligible general provisions	235,332	238,222
Eligible Tier 2 capital (b)	<u>235,332</u>	<u>238,222</u>
 Total capital base (a+b)	<u>3,868,684</u>	<u>3,902,258</u>
 <i>Risk weighted assets:</i>		
Credit risk	18,826,556	19,057,734
Market risk	21,385	31,057
Operational risk	1,530,757	1,530,757
 Total risk weighted assets	<u>20,378,698</u>	<u>20,619,548</u>
 CET 1 ratio	17.8%	17.8%
Tier 1 ratio	17.8%	17.8%
Capital adequacy ratio	<u>19.0%</u>	<u>18.9%</u>

Arab Bank for Investment and Foreign Trade PJSC

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

4 Financial risk management (continued)

Impact of Covid-19

On 11 March 2020, the World Health Organization made an assessment that the outbreak of a coronavirus (COVID-19) can be characterized as a pandemic. The measures necessary to contain the virus have triggered an economic downturn. At this point, there is great uncertainty about its severity and length. Since the pandemic's outbreak, prices of risk assets have fallen sharply.

In response to this crisis, the Central Bank of UAE (CBUAE) has instituted measures in the UAE to support businesses and households. These measures are expected to remain in place through the period of disruption. It is difficult at this time to incorporate the specific effects of COVID-19 and government support measures on a reasonable and supportable basis. The UAE Central Bank has announced an AED 256 billion monetary stimulus package in an attempt to combat the effects of COVID-19 and ease the liquidity constraints in the UAE Banking Sector, to enable local banks to support their customers and the local economy through this challenging period.

a) Temporary relief to customers:

Temporary relief from the payments of principal and interest / profit on outstanding loans for all Covid-19 affected private sector corporates, SMEs and individuals domiciled in UAE. To incentivize UAE banks to participate in the Targeted Economic Support Scheme (TESS), CBUAE has granted AED 50 billion capital buffer for the entire banking industry to facilitate additional lending capacity of banks by granting a zero cost funding facility against eligible collateral.

b) Liquidity and capital stimulus package:

The CBUAE has introduced the stimulus package relating to liquidity and capital requirements to support the banking industry in UAE through this disruption. For banks that fully pass on the TESS related benefits to end customers, CBUAE has reduced the requirement of maintaining minimum liquidity coverage ratio (LCR) of 70% (from 100%) and minimum eligible liquid assets ratio (ELAR) of 7% (from 10%). To improve liquidity within the UAE banking system, the CBUAE halved the reserve requirement for demand deposits of all banks from 14% to 7%. The CBUAE has also allowed banks to tap into capital conservation buffer and D-SIB buffers to the extent of 60% and 100% respectively until 31 December 2021. Planned implementation of certain Basel III capital requirements has been postponed to 31 March 2021.

To counter volatility in financial market and its impact on regulatory capital, CBUAE has issued a new requirement for all banks to apply a prudential filter to IFRS 9 expected credit loss (ECL) provisions. Any increase in the provisioning on stage 1 and 2 accounts compared to 31 December 2020 will be added back to regulatory capital and will be gradually phased-out during a five-year period, ending 31 December 2024.

The Bank is constantly monitoring the current situation as it unfolds, noting that it is in early stages and there is limited economic data available to accurately evaluate the impact of the outbreak on the UAE economy, and on the Bank's financial position as at 31 March 2021.

Arab Bank for Investment and Foreign Trade PJSC

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

4 Financial risk management (continued)

Impact of Covid-19 (continued)

IASB Guidance and Joint Guidance issued by the Central Bank of UAE, Dubai Financial Services Authority (the “DFSA”) and the Financial Services Regulatory Authority (the “FSRA”)

The Bank recognizes any changes made to ECL to estimate the overall impact of Covid-19 will be subject to very high levels of uncertainty as little reasonable and supportable forward-looking information is currently available on which to base those changes. Accordingly, IASB and regulatory bodies in the UAE have proposed certain measures to manage the impact of economic uncertainty on ECL while remaining compliant with IFRS.

On 27 March 2020, the IASB issued a guidance note on accounting for expected credit losses in the light of current uncertainty arising from the COVID-19 pandemic. As per CBUAE guidelines on "Treatment of IFRS 9 ECL in context of COVID-19 crises", Banks and finance companies were not expected to update macroeconomic scenarios in their ECL systems immediately and were encouraged to (i) estimate the impact of new scenarios by assessing a range of possible outcomes on ECL separately and, (ii) based on these estimations, gradually introduce judgmental overlays on top of ECL with the view that scenarios should be re-introduced in their ECL systems no later than 30 September 2020. Accordingly, the Bank recorded provisions based on judgmental overlays on the top of ECL up to the quarter ended 30 June 2020. Thereafter, the Bank used the macro-economic forecasts to reflect the impact of COVID-19, as would have been used and has taken the provisions accordingly.

5 Segmental analysis

The Bank operates in one geographical area, the United Arab Emirates, and its results arise largely from commercial and retail banking activities.

6 Valuation of financial instruments and other assets

Fair value hierarchy

The table below analyses assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

Arab Bank for Investment and Foreign Trade PJSC

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

6 Valuation of financial instruments and other assets (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 March 2021				
Investments at FVOCI	2,295,007	-	18,531	2,313,538
Investment at FVTPL	-	-	11,021	11,021
Investment properties	-	-	328,110	328,110
Property and equipment	-	-	182,784	182,784
Property acquired in settlement of Debt	-	-	9,185	9,185
Asset held-for-sale	-	-	49,690	49,690
	<u>2,295,007</u>	<u>-</u>	<u>599,321</u>	<u>2,894,328</u>
At 31 December 2020				
Investments at FVOCI	2,388,287	-	18,541	2,406,828
Investment at FVTPL	-	-	11,021	11,021
Investment properties	-	-	330,776	330,776
Property and equipment	-	-	182,869	182,869
Property acquired in settlement of Debt	-	-	9,185	9,185
Asset held-for-sale	-	-	49,690	49,690
	<u>2,388,287</u>	<u>-</u>	<u>602,082</u>	<u>2,990,369</u>

All financial assets are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties or through use of the valuation techniques such as the discounted cash flow method.

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There have been no transfers of assets between Level 1 and Level 2 or any transfers into or out of Level 3 of the fair value hierarchy during the period.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and correlations. The objective of valuation techniques is to arrive at a fair value determination of the price that reflects the consideration that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date.

Arab Bank for Investment and Foreign Trade PJSC

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

7 Cash and balances with the Central Bank of the UAE

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Cash in hand	102,477	81,997
Balances with the Central Bank of the UAE	1,369,157	2,211,950
Cash reserve with Central Bank of the UAE	558,116	809,618
	<hr/>	<hr/>
Gross balance	2,029,750	3,103,565
Allowance for expected credit losses	(192)	(681)
	<hr/>	<hr/>
	2,029,558	3,102,884
	<hr/> <hr/>	<hr/> <hr/>

Cash reserve deposits are not available for the Bank's day-to-day operations.

The movement in the allowance for expected credit losses during the period is shown below:

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Opening balance	681	-
Net (reversal) / charge for the period, net	(489)	681
	<hr/>	<hr/>
	192	681
	<hr/> <hr/>	<hr/> <hr/>

8 Due from banks

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Current, call and nostro balances	870,622	1,064,628
Fixed deposits	972,988	458,300
Loan syndication	169,103	168,951
	<hr/>	<hr/>
Gross balance	2,012,713	1,691,879
Allowance for expected credit losses	(3,400)	(5,699)
	<hr/>	<hr/>
Net balance	2,009,313	1,686,180
	<hr/> <hr/>	<hr/> <hr/>

Arab Bank for Investment and Foreign Trade PJSC

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

8 Due from banks (continued)

The movement in the allowance for impairment during the period is shown below:

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Opening balance	5,699	10,442
Net (reversal)/charge for the period	(2,299)	3,687
Transfer to loans and advances	-	(8,430)
	<u>3,400</u>	<u>5,699</u>

9 Loans and advances

Loans and advances are stated net of provision for expected credit losses.

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Loans and advances	15,535,789	15,573,220
Islamic financing	2,261,807	2,353,244
Gross loans and Islamic financing	<u>17,797,596</u>	<u>17,926,464</u>
Deferred profit	(18,129)	(18,851)
Allowance for expected credit losses	(2,109,772)	(2,029,933)
Interest / profit suspended	(243,991)	(206,145)
Net loans and advances	<u>15,425,704</u>	<u>15,671,535</u>

Arab Bank for Investment and Foreign Trade PJSC

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

9 Loans and advances (continued)

An analysis of gross loans and advances by segment at the reporting date is shown below:

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Corporate segment	16,717,716	16,898,971
Consumer segment	1,079,880	1,027,493
Gross loans and Islamic financing	17,797,596	17,926,464

The movements in the allowance for expected credit losses on loans and advances during the three-month period ended 31 March 2021 were as follows:

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Opening Balance	2,029,933	964,220
Charge for the period / year, net	80,154	1,180,514
Recoveries	-	(16,732)
Net charge during the period / year	80,154	1,163,782
Net amounts written off	(315)	(1,412)
Transfer (to) due from banks / other liabilities	-	(96,657)
	2,109,772	2,029,933

Arab Bank for Investment and Foreign Trade PJSC

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

10 Investment properties

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Investment properties		
Land	168,523	168,523
Buildings	202,841	205,507
Total investment properties (A)	371,364	374,030
Investment properties under development		
Land	233,701	233,701
Work-in-progress	9,505	9,505
Total investment properties under development (B)	243,206	243,206
Total (A+B)	614,570	617,236
<i>Less: Allowance for impairment</i>	(286,460)	(286,460)
	328,110	330,776

Towards the end of 2020, the Bank carried out an evaluation exercise of the investment properties and investment properties under development through qualified, independent external valuers, the valuation methodologies used by the external valuers include:

- Direct Comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- Investment method: This method is used to assess the value of the property by capitalizing the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued. A yield range of 4% to 5% has been applied, together with allowances for rent free periods.
- Income capitalisation method: This method includes development of valuation model that applies a rate to an amount that represents a measure of economic income (e.g. free cash flows to firm or free cash flows to equity) to arrive at an estimate of present value. The model is useful as a cross-check when other approaches have been used.

A further independent valuation has not been performed as of 31 March 2021 and management believes that fair value on the reporting date is not materially different from carrying value.

Arab Bank for Investment and Foreign Trade PJSC

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

11 Asset held-for-sale

During 2018, the Bank entered into a commercial agreement to sell a part of its investment property portfolio. During the year, the Bank successfully completed the sale of one land. The deal for the second land is expected to be finalized within the 12 month period during 2021. These assets are non-cash generating units and therefore have no impact on the statement of comprehensive income.

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Land	49,690	49,690
	<u>49,690</u>	<u>49,690</u>

12 Other assets

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Interest receivable	200,864	210,186
Acceptances	140,958	165,029
Sundry debtors and other assets	29,339	24,848
Property acquired in settlement of debt, net	9,185	9,185
	<u>380,346</u>	<u>409,248</u>

13 Property and equipment

During the three months ended 31 March 2021, the Bank acquired assets with a cost of AED 4,840 thousand (31 March 2020: AED 3,306 thousand). The depreciation charged during the three months period ended 31 March 2021 is AED 5,738 thousand (31 March 2020: AED 5,382 thousand).

Arab Bank for Investment and Foreign Trade PJSC

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

14 Customers' deposits

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
<i>By type:</i>		
Notice and time deposits	9,650,737	9,863,657
Current accounts	3,739,733	4,119,175
Savings accounts	134,505	137,236
	<u>13,524,975</u>	<u>14,120,068</u>
<i>Islamic deposits</i>		
<i>By type:</i>		
Current accounts	404,952	380,656
Mudaraba term and savings deposits	12,749	15,411
Wakala deposits	1,466,788	1,710,561
	<u>1,884,489</u>	<u>2,106,628</u>
Total deposits	<u>15,409,464</u>	<u>16,226,696</u>
<i>By sector:</i>		
Government sector	3,260,690	4,763,105
Private sector	9,608,924	8,523,578
Individuals	2,539,850	2,940,013
	<u>15,409,464</u>	<u>16,226,696</u>

Arab Bank for Investment and Foreign Trade PJSC

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

15 Due to banks

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Current, call and vostro balances	152,267	229,145
Fixed deposits	2,610,101	2,528,019
Funds received from CBUAE under TESS	295,836	661,053
	<u>3,058,204</u>	<u>3,418,217</u>
<i>By location:</i>		
Within the UAE	735,836	1,377,294
Outside the UAE	2,322,368	2,040,923
	<u>3,058,204</u>	<u>3,418,217</u>

16 Other liabilities

	(Unaudited) 31 March 2020 AED'000	(Audited) 31 December 2020 AED'000
Acceptances	140,958	165,029
Interest payable	32,516	68,014
Provision for employees' end of service benefits	26,591	26,610
ECL on contingent assets	217,332	224,544
Others	267,017	186,888
	<u>684,414</u>	<u>671,085</u>

17 Equity

a) Share capital

The authorized, issued and paid up share capital as at 31 March 2021 is comprised of 75,000 thousand ordinary shares of AED 20,000 each (31 December 2020: 75,000 thousand ordinary shares of AED 20,000 each).

b) Statutory reserve

In accordance with the UAE Companies Law of 2015 (UAE Federal Law No. (2) issued on 1 April 2015), as amended, 10% of the net profit for each year is transferred to a statutory reserve until this reserve equals 50% of the share capital. The statutory reserve is not available for distribution. Transfers to the statutory reserve are made at year end, if at all.

Arab Bank for Investment and Foreign Trade PJSC

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

17 Equity (continued)

c) Special reserve

In accordance with Union Law No. 10 of 1980 concerning the Central Bank of the UAE, the monetary system and organization of banking, 10% of the net profit for each year is transferred to a special reserve until this reserve equals 50% of the share capital. The special reserve is not available for distribution. Transfers to the special reserve are made at year end, if at all.

d) General reserve

The general reserve has been established to enhance the equity base of the Bank. Transfers to the general reserve are made upon the recommendation of the Board of Directors. This reserve may only be used for the purposes recommended by the Board of Directors and approved by the shareholders.

e) Revaluation reserve

The revaluation includes cumulative gains on revaluation of freehold land and buildings, amounting to AED 129.61 million (2020: AED 129.61 million).

f) Fair value reserve

The fair value reserve includes the cumulative net change in the FVOCI investments, until the investments are derecognized or impaired.

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Fair value reserve – Investments designated at FVOCI		
At 1 January	98,430	55,457
Fair value changes – net	(16,565)	42,973
	<u>81,865</u>	<u>98,430</u>

Arab Bank for Investment and Foreign Trade PJSC

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

18 Cash and cash equivalents

Cash and cash equivalents included in the condensed interim statement of cash flows comprise of the following balances maturing within three months of the date of the acquisition / placement.

	(Unaudited) 31 March 2020 AED'000	(Audited) 31 December 2020 AED'000
Cash and balances with the Central Bank of the UAE	2,029,750	3,103,565
Due from banks	2,012,713	1,691,879
	<u>984,259</u>	<u>1,377,227</u>
Less: cash reserve with Central Bank of the UAE	(558,116)	(809,618)
Less: due from banks with original maturity of more than 3 months	(169,103)	(168,951)
	<u><u>3,315,244</u></u>	<u><u>3,816,875</u></u>
Cash and cash equivalents		

For the purpose of determining cash and cash equivalents, cash reserve deposits not available for the Bank's day to day operations are deducted from cash balances.

19 Interest income

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Loans and advances to customers	135,350	192,614
Investment securities	20,142	17,329
Due from banks	3,250	16,149
	<u>158,742</u>	<u>226,092</u>

Arab Bank for Investment and Foreign Trade PJSC

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

20 Interest expense

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Customers' deposits	28,596	59,844
Due to banks	1,346	9,291
	<u>29,942</u>	<u>69,135</u>

21 Income from Islamic financing contracts

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Ijarah	12,857	15,083
Murabaha	9,165	12,788
	<u>22,022</u>	<u>27,871</u>

22 Depositors' share of profits

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Wakala	5,348	11,773
Mudaraba term and saving	-	6
	<u>5,348</u>	<u>11,779</u>

Arab Bank for Investment and Foreign Trade PJSC

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

23 Net fee and commission income

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Fee and commission income		
Letters of credit	6,175	10,127
Letters of guarantee	4,876	5,314
Retail and corporate lending fees	2,971	6,230
Transfers and other fees	1,321	3,574
Others	9,857	8,624
Total fee and commission income	25,200	33,869
Fee and commission expense		
Brokerage commission	(68)	(122)
Handling charges	(407)	(658)
Other commission	(1,700)	(1,665)
Total fee and commission expense	(2,175)	(2,445)
Net fee and commission income	23,025	31,424

24 Other operating income

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Rental income, net	3,649	5,178
Others	10,825	-
	14,474	5,178

During the period ended 31 March 2021, the Bank has accounted for the advance payment received from customers for the sale of an investment property.

Arab Bank for Investment and Foreign Trade PJSC

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

25 General, administrative and other operating expenses

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Staff costs	39,818	45,126
Depreciation	8,404	8,047
Board of Directors' expenses	3,708	3,787
Others	15,293	11,547
	<u>67,223</u>	<u>68,507</u>

26 Net impairment charge on financial assets

	For the three-months ended 31 March	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Net impairment on loans and advances	80,155	86,309
Net impairment on unfunded exposures	(7,212)	-
Net impairment on due from banks	(2,299)	1,333
Net impairment on central bank balances	(489)	-
Net impairment on investment securities	(1,188)	2,950
Write-off of impaired financial assets	565	-
Recovery of loans previously written - off	(9,446)	(4,294)
	<u>60,086</u>	<u>86,298</u>

Arab Bank for Investment and Foreign Trade PJSC

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

27 Commitments and contingent liabilities

The Bank, in the ordinary course of business, enters into various types of transactions that involve undertaking certain commitments such as letters of credit, guarantees and capital commitments.

	(Unaudited) 31 March 2021 AED'000	(Audited) 31 December 2020 AED'000
Letters of credit	1,694,282	1,574,524
Letters of guarantee	3,414,713	3,568,676
	<u>5,108,995</u>	<u>5,143,200</u>
Un-drawn commitments to extend credit	5,026,569	5,022,247
Commitment for future capital expenditure	-	5,887
	<u>5,026,569</u>	<u>5,028,134</u>
Total commitments and contingencies	<u>10,135,564</u>	<u>10,171,334</u>

28 Related party transactions

Identity of related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. Related parties comprise major shareholders, directors and key management personnel of the Bank. The Bank's shareholding pattern is as follows:

	Shareholding percentage %	
	2021	2020
Emirates Investment Authority	42.28	42.28
Libyan Foreign Bank	<u>42.28</u>	<u>42.28</u>
Banque Exterieur d'Algerie	<u>15.44</u>	<u>15.44</u>

In the normal course of business, the Bank enters into various transactions with its related parties. Banking transactions are entered into with related parties on terms and conditions approved by either the Bank's management or the Board of Directors. The volume of related party transactions, outstanding balances and related expenses and income for the year were as follows:

Arab Bank for Investment and Foreign Trade PJSC

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

28 Related party transactions (continued)

Balances:	Key management personnel		Others	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	31 March	31	31 March	31
	2021	December	2021	December
	AED'000	2020	AED'000	2020
	AED'000	AED'000	AED'000	AED'000
Loans and advances	19,854	16,528	32,754	31,381
Deposits	30,799	22,312	3,016,589	3,620,867
Commitments and contingencies	-	-	1,095,287	1,134,808
Transactions:	Key management personnel		Others	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	31 March	31 March	31 March	31 March
	2021	2020	2021	2020
	AED'000	AED'000	AED'000	AED'000
Board of Directors' remuneration	3,000	3,000	-	-
Salaries and benefits	4,514	4,477	-	-
Post-employment benefits	364	374	-	-
Interest income	104	151	-	-
Interest expense	24	40	4,106	11,049
Fee and commission	-	-	962	629

Loans and advances granted to key management personnel are repayable over one year and bear interest rates ranging between 3% and 5%. No collateral is under lien on loans and advances to key management personnel. No provision for expected credit losses has been recorded against these loans and advances.

Arab Bank for Investment and Foreign Trade PJSC

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

29 Basic and diluted earnings per share

	For the three-months ended 31	
	March	
	(Unaudited)	(Unaudited)
	2021	2020
	AED'000	AED'000
Profit for the period	55,935	68,161
Weighted average number of ordinary shares	75,000	75,000
Earnings per share (AED)	0.75	0.91

There were no potentially dilutive securities as at 31 March 2021 or 31 March 2020, and accordingly, diluted earnings per share are the same as basic earnings per share.

30 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 interim financial information as at and for the three month period ended 31 March 2021.