

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

Condensed interim financial information

For the nine-month period ended 30 September 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 nine-month period ended 30 September 2021

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Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Comprehensive Income

For the nine -month period ended 30 September 2021 (Unaudited)

	Note	For the nine-month ended 30 September		For the three-month ended 30 September	
		2021 AED'000	2020 AED'000	2021 AED'000	2020 AED'000
Interest income	18	465,439	632,587	133,177	199,396
Interest expense	19	(90,257)	(183,102)	(29,574)	(50,089)
Net interest income		375,182	449,485	103,603	149,307
Income from Islamic financing contracts	20	72,065	80,131	24,035	26,197
Depositors' share of profits	21	(14,710)	(28,527)	(4,708)	(7,662)
Net income from Islamic financing		57,355	51,604	19,327	18,535
Fee and commission income	22	90,955	84,273	35,911	26,615
Fee and commission expense	22	(7,582)	(5,608)	(3,020)	(1,716)
Net fee and commission income		83,373	78,665	32,891	24,899
Dividend income		4,777	6,047	-	-
Net investment income		2,357	569	1,710	175
Net foreign exchange gain		14,759	18,853	9,509	5,494
Other operating income	23	20,406	13,424	2,565	3,550
Operating income		558,209	618,647	169,605	201,960
General, administrative and other operating expenses	24	(188,625)	(201,815)	(61,531)	(67,284)
Net profit before net impairment charge		369,584	416,832	108,074	134,676
Net impairment charge on financial assets	25	(279,290)	(249,487)	(137,980)	(89,851)
Change in fair value of investment at FVTPL		6,556	(5,000)	6,556	-
Net impairment charge on property acquired in settlement of debt		-	(2,100)	-	-
Net profit / (loss) for the period		96,850	160,245	(23,350)	44,825
Other comprehensive income / (loss)					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Change in fair value of equity investments at FVOCI		22,761	(23,077)	7,042	7,043
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in fair value of debt investments at FVOCI		(21,678)	20,347	(18,975)	35,384
Other comprehensive income / (loss) for the period		1,083	(2,730)	(11,933)	42,427
Total comprehensive income for the period attributable to shareholders		97,933	157,515	(35,283)	87,252
Basic and diluted earnings per share (AED)	28	1.29	2.14	(0.31)	0.60

The notes on pages 6 to 29 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.

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Condensed Interim Statement of Changes in Equity

For the nine -month period ended 30 September 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	-	-	-	-	-	-	160,245	160,245
Other comprehensive loss for the period	-	-	-	-	-	(2,730)	-	(2,730)
Total comprehensive income for the period	-	-	-	-	-	(2,730)	160,245	157,515
Zakat paid	-	-	-	-	-	-	(1,871)	(1,871)
Balance at 30 September 2020	<u>1,500,000</u>	<u>642,722</u>	<u>638,132</u>	<u>380,000</u>	<u>129,542</u>	<u>52,727</u>	<u>1,327,250</u>	<u>4,670,373</u>
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	-	-	-	-	-	-	96,850	96,850
Other comprehensive income for the period	-	-	-	-	-	1,083	-	1,083
Total comprehensive income for the period	-	-	-	-	-	1,083	96,850	97,933
Zakat paid	-	-	-	-	-	-	(1,747)	(1,747)
Balance at 30 September 2021	<u>1,500,000</u>	<u>642,722</u>	<u>638,132</u>	<u>380,000</u>	<u>129,613</u>	<u>99,513</u>	<u>372,286</u>	<u>3,762,266</u>

The notes on pages 6 to 29 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.

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Condensed Interim Statement of Cash Flows

For the nine -month period ended 30 September 2021 (Unaudited)

	<i>Note</i>	2021 AED'000	2020 AED'000
Operating activities			
Profit for the period		96,850	160,245
<i>Adjustments for:</i>			
Depreciation	24	25,195	24,830
Net impairment charge on financial assets	25	279,290	249,487
Amortisation of premium on bonds		10,562	12,890
Dividend income		(4,777)	(6,047)
Change in fair value of investment at FVTPL		(6,556)	5,000
Net impairment charge on property acquired in settlement of debt		-	2,100
Operating cash flows before changes in operating assets and liabilities		400,564	448,505
Loans and advances		270,217	(1,313,783)
Due from banks		137,585	9,184
Other assets		(259,359)	(159,937)
Customers' deposits		(148,012)	(1,083,172)
Due to banks		(1,813,126)	912,317
Other liabilities		294,131	35,501
Cash reserve with Central Bank of the UAE		329,017	279,869
Net cash used in operating activities		(788,983)	(871,516)
Investing activities			
Purchases of property and equipment	12	(16,192)	(16,632)
Proceeds from sale of asset held for sale		-	60,996
Dividend received		4,777	6,047
Proceeds from sale/redemption of investments at FVOCI		275,677	139,574
Proceeds from redemption of investments at amortised cost		4,521	4,524
Purchases of investments at FVOCI		(263,264)	(665,277)
Purchase of investments at amortised cost		(611,664)	-
Net cash used in investing activities		(606,145)	(470,768)
Net decrease in cash and cash equivalents		(1,395,128)	(1,342,284)
Cash and cash equivalents at 1 January		3,816,875	3,649,264
Cash and cash equivalents at 30 September	17	2,421,747	2,306,980

The notes on pages 6 to 29 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.

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Notes to the condensed interim financial information for the nine-month period ended 30 September 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). 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 (31 December 2020: 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 condensed interim financial information of the Bank as at and for the period ended 30 September 2021 and the financial statements 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. It does not include all of the information required for full annual financial statements as required under IFRS. These 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 nine-month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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Notes to the condensed interim financial information for the nine-month period ended 30 September 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
- Covid-19-related Rent Concessions – Amendments to IFRS 16
- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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.

	Effective for annual periods beginning on or after
New standards and significant amendments to standards applicable to the Bank:	
Amendments to IAS 1, ‘Presentation of financial statements’, on classification of liabilities :	1 January 2023
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.	

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

2 Summary of significant accounting policies (continued)

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

Standards and Interpretations in issue but not yet effective (continued)

	Effective for annual periods beginning on or after
New standards and significant amendments to standards applicable to the Bank:	
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:	1 January 2022
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'.	
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8:	1 January 2023
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.	

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.

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Notes to the condensed interim financial information for the nine-month period ended 30 September 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 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 30 September 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.

	30 September 2021 (unaudited)				31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Due from banks								
Low-fair risk	1,114,729	-	-	1,114,729	529,696	1,162,183	-	1,691,879
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	1,114,729	-	-	1,114,729	529,696	1,162,183	-	1,691,879
Loss allowance (Stage 1 + Stage 2)	(2,194)	-	-	(2,194)	(2,438)	(3,261)	-	(5,699)
Carrying amount	1,112,535	-	-	1,112,535	527,258	1,158,922	-	1,686,180

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

4 Financial risk management (continued)

Credit quality analysis (continued)

	30 September 2021 (unaudited)				31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
Low-fair risk	8,831,195	4,050,464	-	12,881,659	9,777,439	2,634,889	-	12,412,328
Higher risk	15,684	833,405	-	849,089	14,169	1,984,994	-	1,999,163
Grade 8: Substandard	-	-	1,714,459	1,714,459	-	-	1,508,779	1,508,779
Grade 9: Doubtful	-	-	1,665,337	1,665,337	-	-	1,924,154	1,924,154
Grade 10: Loss	-	-	653,962	653,962	-	-	82,040	82,040
Total gross carrying amount	8,846,879	4,883,869	4,033,758	17,764,506	9,791,608	4,619,883	3,514,973	17,926,464
Loss allowance (Stage 1 + Stage 2)	(76,125)	(385,117)	-	(461,242)	(130,250)	(448,332)	-	(578,582)
Loss allowance (Stage 3)	-	-	(1,875,105)	(1,875,105)	-	-	(1,451,351)	(1,451,351)
Interest / profit in suspense	-	-	(307,566)	(307,566)	-	-	(206,145)	(206,145)
Deferred Profit	(17,324)	-	-	(17,324)	(18,851)	-	-	(18,851)
Carrying amount	8,753,430	4,498,752	1,851,087	15,103,269	9,642,507	4,171,551	1,857,477	15,671,535

	30 September 2021 (unaudited)				31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt Securities – FVOCI								
Low-fair risk	2,264,034	-	-	2,264,034	2,150,920	154,425	-	2,305,345
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	2,264,034	-	-	2,264,034	2,150,920	154,425	-	2,305,345
Loss allowance (Stage 1 + Stage 2)	(20,909)	-	-	(20,909)	(13,177)	(3,563)	-	(16,740)
Carrying amount	2,243,125	-	-	2,243,125	2,137,743	150,862	-	2,288,605

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

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

4 Financial risk management (continued)

	30 September 2021 (unaudited)				31 December 2020 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt Securities – Amortised cost								
Low-fair risk	635,440	-	-	635,440	32,238	-	-	32,238
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	635,440	-	-	635,440	32,238	-	-	32,238
Loss allowance (Stage 1 + Stage 2)	(296)	-	-	(296)	(333)	-	-	(333)
Carrying amount	635,144	-	-	635,144	31,905	-	-	31,905

Capital management

The Bank's regulatory capital positions as at 30 September 2021 and 31 December 2020 is as follows:

	(Unaudited) 30 September 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	44,781	44,294
Retained earnings	372,286	277,183
IFRS transitional arrangement: Partial addback of ECL	64,182	181,705
Deduction from Capital	(75,549)	-
Eligible Tier 1 capital(a)	3,566,554	3,664,036
Tier 2 capital		
Eligible general provisions	228,343	238,222
Eligible Tier 2 capital(b)	228,343	238,222
Total capital base (a+b)	3,794,897	3,902,258
<i>Risk weighted assets:</i>		
Credit risk	18,267,457	19,057,734
Market risk	32,749	31,057
Operational risk	1,530,757	1,530,757
Total risk weighted assets	19,830,963	20,619,548
CET 1 ratio	18.0%	17.8%
Tier 1 ratio	18.0%	17.8%
Capital adequacy ratio	19.1%	18.9%

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

4 Financial risk management *(continued)*

Impact of Covid-19 *(continued)*

Covid-19 and Expected Credit Loss (ECL)

COVID-19 continues to disrupt businesses and economic activity in 2021. In response, governments and central banks extended economic support and relief measures (including payment deferrals) launched in 2020 to lessen the impact on individuals and corporates. In determination of Q3 2021 ECL, the Bank has considered potential impact caused by COVID-19 pandemic (based upon available information) and taken into account economic support and relief measures of government and Central Bank. The Bank has also considered the notices issued by the Central Bank of UAE with regards to the 'Targeted Economic Support Scheme (TESS)' and 'Treatment of IFRS 9 Expected Credit Loss in the context of Covid-19 crisis' as well as the guidance issued by the International Accounting Standards Board (IASB). The Bank has suitable governance process in place for IFRS 9.

Forward Looking Information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring (31 December 2020: 40%), and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring (31 December 2020: 30%). The same information is used by the Bank for other purposes such as strategic planning and budgeting. External information considered includes economic data and forecasts published by governmental bodies and monetary authorities, and the International Monetary Fund, and selected private-sector and academic forecasters. Periodically, the Bank carries out stress testing of more extreme shocks to calibrate its determination of the upside and downside representative scenarios. The Bank has applied the following Macro Economic Variables for the Corporate portfolio in conditional IFRS 9 analysis with forecast scenarios: Equity (ADX Equity Index) and Oil Price. Had the weightage to the adverse scenario been increased by another 10% with a corresponding decrease of 10% in upside scenario, the impairment loss allowance would increase by AED 12 million at 30 September 2021.

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

5 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 categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2021				
Investments at FVOCI	2,365,567	-	19,142	2,384,709
Investment at FVTPL	-	-	17,577	17,577
Investment properties	-	-	372,469	372,469
Property and equipment	-	-	182,609	182,609
Property acquired in settlement of Debt	-	-	9,185	9,185
	2,365,567	-	600,982	2,966,549
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
	2,388,287	-	602,082	2,990,369

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 (Year ended 31 December 2020: Nil).

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.

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

6 Cash and balances with the Central Bank of the UAE

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Cash in hand	98,291	81,997
Balances with the Central Bank of the UAE	1,240,093	2,211,950
Cash reserve with Central Bank of the UAE	480,601	809,618
Gross balance	<u>1,818,985</u>	<u>3,103,565</u>
Allowance for expected credit losses	(48)	(681)
	<u><u>1,818,937</u></u>	<u><u>3,102,884</u></u>

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) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Opening balance	681	-
Net (reversal)/charge for the period/year, net (Note 25)	(633)	681
	<u>48</u>	<u>681</u>

7 Due from banks - net

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Current, call and nostro balances	492,010	1,064,628
Fixed deposits	591,353	458,300
Loan syndication	31,366	168,951
Gross balance	<u>1,114,729</u>	<u>1,691,879</u>
Allowance for expected credit losses	(2,194)	(5,699)
	<u><u>1,112,535</u></u>	<u><u>1,686,180</u></u>

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

7 Due from banks - net (continued)

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

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Opening balance	5,699	10,442
Net (reversal)/charge for the period/year (Note 25)	(3,505)	3,687
Transfer to other liabilities	-	(8,430)
	2,194	5,699

8 Loans and advances - net

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

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Loans and advances	15,654,090	15,573,220
Islamic financing	2,110,416	2,353,244
Gross loans and Islamic financing	17,764,506	17,926,464
Deferred profit	(17,324)	(18,851)
Allowance for expected credit losses	(2,336,347)	(2,029,933)
Interest / profit suspended	(307,566)	(206,145)
Net loans and advances	15,103,269	15,671,535

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

8 Loans and advances – net (continued)

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

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Corporate segment	16,712,812	16,898,971
Consumer segment	1,051,694	1,027,493
Gross loans and Islamic financing	17,764,506	17,926,464

The movements in the allowance for expected credit losses on loans and advances during the nine-month period ended 30 September 2021 were as follows:

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Opening balance	2,029,933	964,220
Charge for the period / year, net (Note 25)	306,789	1,180,514
Recoveries	-	(16,732)
Net charge during the period / year	2,336,722	2,128,002
Net amounts written off	(375)	(1,412)
Transfer to other liabilities	-	(96,657)
	2,336,347	2,029,933

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

9 Investment properties - net

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Investment properties		
Land	502,034	402,224
Buildings	197,510	205,507
Work-in-progress	11,650	9,505
	<hr/>	<hr/>
	711,194	617,236
<i>Less: Allowance for impairment</i>	<i>(338,725)</i>	<i>(286,460)</i>
	<hr/>	<hr/>
	372,469	330,776
	<hr/> <hr/>	<hr/> <hr/>

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 30 September 2021 and management believes that fair value on the reporting date is not materially different from carrying value.

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

10 Assets 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. As the sale of the second land has not been completed, management has reclassified the asset as an investment property. These assets are non-cash generating units and therefore have no impact on the statement of comprehensive income.

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Land	-	49,690
	<u>-</u>	<u>49,690</u>
	<u><u>-</u></u>	<u><u>49,690</u></u>

11 Other assets

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Acceptances	481,105	165,029
Interest receivable	139,435	210,186
Sundry debtors and other assets	38,882	24,848
Property acquired in settlement of debt, net	9,185	9,185
	<u>668,607</u>	<u>409,248</u>
	<u><u>668,607</u></u>	<u><u>409,248</u></u>

12 Property and equipment

During the nine-month period ended 30 September 2021, the Bank acquired assets with a cost of AED 16,192 thousand (30 September 2020: AED 16,632 thousand). The depreciation charged during the nine-month period ended 30 September 2021 is AED 17,198 thousand (30 September 2020: AED 16,833 thousand).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

13 Customers' deposits

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
<i>By type:</i>		
Notice and time deposits	10,110,334	9,863,657
Current accounts	3,851,099	4,119,175
Savings accounts	145,715	137,236
	<u>14,107,148</u>	<u>14,120,068</u>
<i>Islamic deposits</i>		
<i>By type:</i>		
Current accounts	447,964	380,656
Mudaraba term and savings deposits	7,336	15,411
Wakala deposits	1,516,236	1,710,561
	<u>1,971,536</u>	<u>2,106,628</u>
Total deposits	<u>16,078,684</u>	<u>16,226,696</u>
<i>By sector:</i>		
Government sector	2,513,737	4,763,105
Private sector	11,209,629	8,523,578
Individuals	2,355,318	2,940,013
	<u>16,078,684</u>	<u>16,226,696</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

14 Due to banks

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Current, call and vostro balances	211,651	229,145
Fixed deposits	1,393,440	2,528,019
Funds received from CBUAE under TESS	-	661,053
	<u>1,605,091</u>	<u>3,418,217</u>
<i>By location:</i>		
Within the UAE	-	1,377,294
Outside the UAE	1,605,091	2,040,923
	<u>1,605,091</u>	<u>3,418,217</u>

15 Other liabilities

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Acceptances	481,105	165,029
Interest payable	66,995	68,014
Provision for employees' end of service benefits	27,443	26,610
ECL on contingent assets	205,792	224,544
Others	166,876	186,888
	<u>948,211</u>	<u>671,085</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

16 Equity

a) Share capital

The authorized, issued and paid up share capital as at 30 September 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.

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) 30 September 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	1,083	42,973
	99,513	98,430

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

17 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 month of the date of the acquisition / placement.

	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000	(Unaudited) 30 September 2020 AED'000
Cash and balances with the Central Bank of the UAE - gross	1,818,985	3,103,565	1,763,492
Due from banks -gross	1,114,729	1,691,879	1,198,821
	<u>2,933,714</u>	<u>4,795,444</u>	<u>2,962,313</u>
<i>Less: cash reserve with Central Bank of the UAE</i>	<i>(480,601)</i>	<i>(809,618)</i>	<i>(477,198)</i>
<i>Less: due from banks with original maturity of more than 3 months</i>	<i>(31,366)</i>	<i>(168,951)</i>	<i>(178,135)</i>
Cash and cash equivalents	<u>2,421,747</u>	<u>3,816,875</u>	<u>2,306,980</u>

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.

18 Interest income

	For the nine -month ended 30 September		For the three-month ended 30 September	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
Loans and advances to customers	396,612	549,139	110,958	175,641
Investment securities	59,720	54,561	19,776	19,024
Due from banks	9,107	28,887	2,443	4,731
	<u>465,439</u>	<u>632,587</u>	<u>133,177</u>	<u>199,396</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

19 Interest expense

	For the nine -month ended 30 September		For the three -month ended 30 September	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
Customers' deposits	86,434	164,319	28,307	47,550
Due to banks	3,823	18,783	1,267	2,539
	<u>90,257</u>	<u>183,102</u>	<u>29,574</u>	<u>50,089</u>

20 Income from Islamic financing contracts

	For the nine -month ended 30 September		For the three -month ended 30 September	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
Ijarah	42,510	43,150	14,613	14,858
Murabaha	29,555	36,981	9,422	11,339
	<u>72,065</u>	<u>80,131</u>	<u>24,035</u>	<u>26,197</u>

21 Depositors' share of profits

	For the nine -month ended 30 September		For the three -month ended 30 September	
	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000	2021 (Unaudited) AED'000	2020 (Unaudited) AED'000
Wakala	14,707	28,517	4,705	7,660
Mudaraba term and saving	3	10	3	2
	<u>14,710</u>	<u>28,527</u>	<u>4,708</u>	<u>7,662</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

22 Net fee and commission income

	For the nine -month ended 30 September		For the three -month ended 30 September	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
<i>Fee and commission income:</i>				
Letters of credit	31,100	23,749	13,169	6,358
Letters of guarantee	17,076	14,835	7,836	5,263
Retail and corporate lending fee	11,937	15,540	5,081	5,151
Transfers and other fee	4,443	5,962	1,447	1,287
Others	26,399	24,187	8,378	8,556
Total fee and commission income	90,955	84,273	35,911	26,615
<i>Fee and commission expenses:</i>				
Brokerage fee	(1,010)	(367)	(594)	(187)
Handling charges	(998)	(1,235)	(294)	(398)
Others	(5,574)	(4,006)	(2,132)	(1,131)
Total fee and commission expense	(7,582)	(5,608)	(3,020)	(1,716)
Net fee and commission income	83,373	78,665	32,891	24,899

23 Other operating income

	For the nine -month ended 30 September		For the three -month ended 30 September	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Rental income	9,581	13,408	2,565	3,534
Others	10,825	16	-	16
Total other operating income	20,406	13,424	2,565	3,550

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

24 General, administrative and other operating expenses

	For the nine -month ended 30 September		For the three -month ended 30 September	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Staff costs	115,568	133,615	37,349	42,937
Depreciation	25,195	24,830	8,386	8,459
Board of Directors expenses	11,354	10,853	3,923	3,480
Other operating expenses	36,508	32,517	11,873	12,408
	<u>188,625</u>	<u>201,815</u>	<u>61,531</u>	<u>67,284</u>

25 Net impairment charge on financial assets

	For the nine -month ended 30 September		For the three-month ended 30 September	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Net impairment on loans and advances	306,789	259,897	119,907	99,861
Net impairment on unfunded exposures	(18,752)	-	16,926	-
Net impairment on due from banks	(3,505)	2,879	(2,692)	1,546
Net impairment on central bank balances	(633)	857	(127)	857
Net impairment on investment securities	4,131	9,973	2,401	7,023
Write-off of impaired financial assets	3,838	1,129	3,272	537
Recovery of loan loss provisions	-	(16,732)	-	(16,732)
Recovery of loans previously written - off	(12,578)	(8,516)	(1,707)	(3,241)
	<u>279,290</u>	<u>249,487</u>	<u>137,980</u>	<u>89,851</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

26 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) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Letters of credit	1,901,084	1,574,524
Letters of guarantee	3,482,335	3,568,676
	<u>5,383,419</u>	<u>5,143,200</u>
Un-drawn commitments to extend credit	4,640,155	5,022,247
Commitment for future capital expenditure	4,669	5,887
	<u>4,644,824</u>	<u>5,028,134</u>
Total commitments and contingencies	<u>10,028,243</u>	<u>10,171,334</u>

27 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	42.28	42.28
Banque Exterieur d'Algerie	15.44	15.44

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

27 Related party transactions (continued)

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:

Balances:	Key management personnel		Others	
	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000	(Unaudited) 30 September 2021 AED'000	(Audited) 31 December 2020 AED'000
Loans and advances	19,577	16,528	169,435	180,068
Due from banks	-	-	37,318	31,381
Deposits	15,404	22,312	853,966	2,497,330
Due to banks	-	-	996,608	1,126,447
Commitments and contingencies	-	-	1,228,874	1,181,369
Transactions:	Key management personnel		Others	
	(Unaudited) 30 September 2021 AED'000	(Unaudited) 30 September 2020 AED'000	(Unaudited) 30 September 2021 AED'000	(Unaudited) 30 September 2020 AED'000
Board of Directors' expenses	11,354	10,853	-	-
Salaries and benefits	10,722	13,252	-	-
Post-employment benefits	764	1,087	-	-
Interest income	330	393	4,133	3,759
Interest expense	58	78	8,633	29,438
Fee and commission	-	-	1,883	1,247

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2021 (unaudited) (continued)

27 Related party transactions *(continued)*

Loans and advances granted to key management personnel are repayable over one year and bear interest rates ranging between 3% and 5% (2020: 3% to 5%). No collateral is under lien on loans and advances to key management personnel. No life time ECL provision has been recorded against these loans and advances.

Deposits from other related parties include fixed deposits under lien amounting to AED 955 million (31 December 2020: AED 1,102 million).

28 Basic and diluted earnings per share

	For the nine -month ended 30 September		For the three-month ended 30 September	
	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000	(Unaudited) 2021 AED'000	(Unaudited) 2020 AED'000
Profit/(loss) for the period	96,850	160,245	(23,350)	44,825
Weighted average number of ordinary shares	75,000	75,000	75,000	75,000
Earnings/(loss) per share (AED)	1.29	2.14	(0.31)	0.60

There were no potentially dilutive securities as at 30 September 2021 or 2020, and accordingly, diluted earnings per share are the same as basic earnings per share.

29 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported or require disclosure in the condensed interim financial information as at and for the nine-month period ended 30 September 2021.