

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

Condensed interim financial information

For the three-month period ended 31 March 2024

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-month period ended 31 March 2024**

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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 2024 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 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 consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting.”

PricewaterhouseCoopers Limited Partnership (Abu Dhabi Branch)
29 July 2024

Rami Sarhan
Registered Auditor Number 1152
Place: Abu Dhabi, United Arab Emirates

Arab Bank for Investment and Foreign Trade PJSC

Condensed interim statement of financial position

As at 31 March 2024

		(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Assets			
Cash and balances with the Central Bank of the UAE	7	2,584,420	2,532,001
Due from banks	8	177,894	1,317,798
Acceptances		469,565	477,267
Investments at fair value through other comprehensive income ("FVOCI")		4,614,498	3,075,277
Investments at fair value through profit or loss ("FVTPL")		536,148	355,638
Investments at amortised cost		202,518	405,376
Loans and advances	9	12,481,976	12,900,588
Investment properties	10	165,174	167,839
Other assets	11	271,818	227,753
Intangible assets	12.1	49,130	52,724
Property and equipment	12.2	243,058	241,563
		<u>21,796,199</u>	<u>21,753,824</u>
Asset held-for-sale		12,042	12,042
Total assets		<u>21,808,241</u>	<u>21,765,866</u>
Liabilities			
Due to banks	14	2,044,369	2,042,547
Customers' deposits	13	14,553,504	14,750,019
Acceptances		469,565	477,267
Other liabilities	15	771,125	552,680
Total liabilities		<u>17,838,563</u>	<u>17,822,513</u>
Equity			
Share capital	16	2,000,000	2,000,000
Statutory reserve	16	688,113	688,113
Special reserve	16	683,523	683,523
Revaluation reserve	16	138,522	138,522
Fair value reserve	16	(83,167)	(66,029)
Retained earnings		542,687	499,224
Total equity		<u>3,969,678</u>	<u>3,943,353</u>
Total liabilities and equity		<u>21,808,241</u>	<u>21,765,866</u>

This condensed interim financial information was authorised and approved for issue by the Board of Directors on _____, and signed on their behalf by:

Farhat Omar ben Gdara
Chairman

Charles Doghlass
Acting Chief Executive Officer

The notes on pages 6 to 26 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-month period ended 31 March 2024 (Unaudited)

	Note	Three-month period ended	
		31 March	
		2024	2023
		AED'000	AED'000
Interest income	18	282,994	243,145
Interest expense	19	(113,713)	(93,480)
Net interest income		169,281	149,665
Income from Islamic financing contracts	20	31,188	28,778
Depositors' share of profit	21	(23,410)	(12,492)
Net income from Islamic financing		7,778	16,286
Net interest and Islamic financing income		177,059	165,951
Fee and commission income	22	26,627	31,791
Fee and commission expense	22	(4,009)	(3,399)
Net fee and commission income		22,618	28,392
Net investment income / (loss)		13,898	(723)
Net foreign exchange gain		6,800	12,052
Other operating income	23	3,137	4,199
		23,835	15,528
Operating income		223,512	209,871
General, administration and other operating expenses	24	(76,352)	(79,927)
Profit before net impairment charge		147,160	129,944
Net impairment charge on financial assets	25	(99,436)	(87,423)
Profit for the period before taxation		47,724	42,521
Taxation charge		(4,261)	-
Net Profit for the period		43,463	42,521
Other comprehensive (loss) / income			
<i>Items that will not be reclassified to profit or loss</i>			
Change in fair value of equity investments at FVOCI		-	-
<i>Items that may be reclassified to profit or loss</i>			
Change in fair value of debt investments at FVOCI		(17,138)	7,600
Other comprehensive (loss) / income for the period		(17,138)	7,600
Total comprehensive income for the period attributable to shareholders		26,325	50,121
Basic and diluted earnings per share for net profit attributable to the ordinary equity holders of the Bank	28	0.43	0.43

The notes on pages 6 to 26 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-month period ended 31 March 2024 (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 2023	1,500,000	669,172	664,582	380,000	128,972	(112,136)	531,565	3,762,155
Profit for the period	-	-	-	-	-	-	42,521	42,521
Other comprehensive income for the period	-	-	-	-	-	7,600	-	7,600
Total comprehensive income for the period	-	-	-	-	-	7,600	42,521	50,121
Balance at 31 March 2023	1,500,000	669,172	664,582	380,000	128,972	(104,536)	574,086	3,812,276
Balance at 1 January 2024	2,000,000	688,113	683,523	-	138,522	(66,029)	499,224	3,943,353
Profit for the period	-	-	-	-	-	-	43,463	43,463
Other comprehensive loss for the period	-	-	-	-	-	(17,138)	-	(17,138)
Total comprehensive income for the period	-	-	-	-	-	(17,138)	43,463	26,325
Balance at 31 March 2024	2,000,000	688,113	683,523	-	138,522	(83,167)	542,687	3,969,678

The notes on pages 6 to 26 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-month period ended 31 March 2024 (Unaudited)

	Note	Three-month period ended 31	
		March	
		2024	2023
		AED'000	AED'000
Operating activities			
Net profit before taxation for the period		47,724	42,521
<i>Adjustments for:</i>			
Depreciation	24	9,088	7,830
Net impairment charge on financial assets	25	99,436	87,423
Amortisation of premium on bonds		4,744	4,106
Change in fair value of investments at FVTPL		(11,552)	1,031
Gain on sale of investment properties		-	(396)
Lease Interest		(135)	(13)
Provision for employees' end of service benefits		1,517	3,685
Operating cash flows before changes in operating assets and liabilities and payment of employees' end of service benefits		150,822	146,187
Payment of employees' end of service benefits		(1,813)	(7,993)
<i>Changes in:</i>			
Loans and advances	9	296,523	365,185
Other assets	11	(44,064)	(21,956)
Acceptances – Assets		7,702	(219,135)
Acceptances – Liabilities		(7,702)	219,135
Customers' deposits	13	(196,515)	(195,525)
Due to banks	14	1,821	300,769
Other liabilities	15	235,028	108,583
Cash reserve with Central Bank of the UAE	7	148,476	8,375
Net cash inflow from operating activities		590,278	703,625
Investing activities			
Purchases of intangible assets	12.1	-	(6,093)
Purchases of property and equipment	12.2	(4,325)	(2,755)
Proceeds from sale of investment properties	10	-	36,324
Proceeds from sale/redemption of investments at FVOCI		351,738	128,555
Proceeds from redemption of investments at amortised cost		201,212	145,379
Purchases of investments at FVOCI		(1,908,959)	(336,918)
Purchases of investments at FVTPL		(168,958)	(55,095)
Net cash outflow from investing activities		(1,529,292)	(90,603)
Financing activities			
Payment of lease liabilities		(632)	(243)
Net cash outflow from financing activities		(632)	(243)
Net (decrease)/ increase in cash and cash equivalents		(939,646)	612,779
Cash and cash equivalents at 1 January	17	2,930,077	2,710,516
Cash and cash equivalents at 31 March		1,990,431	3,323,295

The notes on pages 6 to 26 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 2024 (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. It is registered as a Public Joint Stock Company in accordance with Federal Law No (8) of 1984 (as amended), and UAE Federal Law No. 2 of 2015, 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 five branches (31 December 2023: five 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.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 (“Companies Law”) was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015.

The financial statements of the Bank as at and for the period ended 31 March 2024 and for the year ended 31 December 2023 are available upon request from the Bank’s registered address at P. O. Box 46733, Abu Dhabi, United Arab Emirates.

2 Material accounting policy information

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 2023 which were prepared in accordance with IFRS Accounting Standards (“IFRS”). The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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-month period ended 31 March 2024 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2024.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

2 Material accounting policy information (continued)

Changes in accounting policies

The accounting policies adopted in the preparation of the condensed interim financial information are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2023, except for the adoption of the new applicable standards and amendments to the published standards effective as of 1 January 2024.

New and revised IFRS adopted in the condensed interim financial information

The following amendments to existing standards and framework have been applied by the Bank in preparation of this condensed consolidated interim financial information. The adoption of the below did not result in changes to previously reported net profit or equity of the Bank.

Amendments Effective from

- Amendments to IFRS 16 – Lease liability in a sale and leaseback 1 January 2024
- Amendment to IAS 1 – Non-current liabilities with covenants 1 January 2024
- Amendment to IAS 7 and IFRS 7 – Supplier finance arrangements 1 January 2024
- Amendments to IAS 21 – Lack of Exchangeability 1 January 2024

Standards, amendments and interpretations issued but not yet effective and not early adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Bank has not early adopted them in preparing these condensed interim financial information. The Bank is constantly assessing the impact of this standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

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 estimate uncertainty were the same as those described in the audited financial statements as at and for the year ended 31 December 2023.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

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 2023.

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 2024 and 31 December 2023. 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.

	<u>31 March 2024 (unaudited) (AED'000)</u>				<u>31 December 2023 (audited) (AED'000)</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Due from banks								
Low-fair risk	179,134	-	-	179,134	1,319,675	-	-	1,319,675
Total gross carrying amount	179,134	-	-	179,134	1,319,675	-	-	1,319,675
Loss allowance	(1,240)	-	-	(1,240)	(1,877)	-	-	(1,877)
Carrying amount	177,894	-	-	177,894	1,317,798	-	-	1,317,798

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

4 Financial risk management (continued)

Credit quality analysis (continued)

	31 March 2024 (unaudited) (AED'000)				31 December 2023 (audited) (AED'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
Low-fair risk	7,058,983	66,382	-	7,125,365	6,941,924	111,903	-	7,053,827
Marginal Risk	2,870,343	945,313	-	3,815,656	3,471,491	965,936	-	4,437,427
Higher risk	38,214	944,723	-	982,937	37,808	861,596	-	899,404
Grade 8: Substandard	-	-	494,414	494,414	-	-	267,678	267,678
Grade 9: Doubtful	-	-	396,809	396,809	-	-	415,569	415,569
Grade 10: Loss	-	-	2,672,911	2,672,911	-	-	2,988,566	2,988,566
Total gross carrying amount	9,967,540	1,956,418	3,564,134	15,488,092	10,451,223	1,939,435	3,671,813	16,062,471
Loss allowance	(87,176)	(378,531)	(1,899,791)	(2,365,498)	(158,955)	(362,869)	(1,992,956)	(2,514,780)
Interest in suspense	-	-	(611,188)	(611,188)	-	-	(615,257)	(615,257)
Deferred profit	(29,430)	-	-	(29,430)	(31,846)	-	-	(31,846)
Carrying amount	9,850,934	1,577,887	1,053,155	12,481,976	10,260,422	1,576,566	1,063,600	12,900,588

	31 March 2024 (unaudited) (AED'000)				31 December 2023 (audited) (AED'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt Securities – FVOCI								
Low-fair risk	4,628,064	-	-	4,628,064	3,091,079	-	-	3,091,079
Total gross carrying amount	4,628,064	-	-	4,628,064	3,091,079	-	-	3,091,079
Loss allowance	(18,237)	-	-	(18,237)	(20,477)	-	-	(20,477)
Carrying amount	4,609,827	-	-	4,609,827	3,070,602	-	-	3,070,602

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.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

4 Financial risk management (continued)

Credit quality analysis (continued)

	31 March 2024 (unaudited) (AED'000)				31 December 2023 (audited) (AED'000)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt Securities – Amortised cost								
Low-fair risk	202,560	-	-	202,560	405,414	-	-	405,414
Total gross carrying amount	202,560	-	-	202,560	405,414	-	-	405,414
Loss allowance	(42)	-	-	(42)	(38)	-	-	(38)
Carrying amount	202,518	-	-	202,518	405,376	-	-	405,376

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

4 Financial risk management (continued)

Capital management

The Bank's regulatory capital positions on 31 March 2024 and 31 December 2023 were as follows:

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Tier 1 capital		
Share capital	2,000,000	2,000,000
Statutory reserve	688,113	688,113
Special reserve	683,523	683,523
Fair value reserve	(83,167)	(66,029)
Retained earnings	542,687	499,224
IFRS transitional arrangement: partial addback of ECL	4,732	59,353
Other deductions	(49,130)	(52,724)
Eligible Tier 1 capital (a)	<u>3,786,758</u>	<u>3,811,460</u>
Tier 2 capital		
Eligible general provisions	<u>216,581</u>	213,399
Eligible Tier 2 capital (b)	<u>216,581</u>	213,399
Total capital base (a+b)	<u>4,003,339</u>	<u>4,024,859</u>
<i>Risk weighted assets:</i>		
Credit risk	17,326,456	17,071,887
Market risk	18,780	31,743
Operational risk	<u>1,500,101</u>	<u>1,500,101</u>
Total risk weighted assets	<u>18,845,337</u>	<u>18,603,731</u>
CET 1 ratio	20.1%	20.5%
Tier 1 ratio	20.1%	20.5%
Capital adequacy ratio	<u>21.2%</u>	<u>21.6%</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

31 Financial risk management (continued)

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 2023: 40%), and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring (31 December 2023: 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 13 million at 31 March 2024.

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.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

31 Valuation of financial instruments and other assets

Fair value hierarchy

Recurring and non-recurring fair value measurements

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 market price (unadjusted) in an active market for an identical instrument. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

All financial assets and liabilities are measured at amortised cost except for financial assets at fair value through profit or loss and investments at FVOCI and other non-financial assets which 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 valuation techniques.

Fair values of assets and liabilities that are traded in active markets are based on quoted market prices or dealer priced quotations. For all other assets and liabilities the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow 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. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument and other assets at the reporting date that would have been determined by market participants acting at arm's length.

Observable prices and model inputs are usually available in the market for listed equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

31 Valuation of financial instruments and other assets (continued)

Fair value hierarchy (continued)

Recurring and non-recurring fair value measurements (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 March 2024				
Investments at FVOCI	4,609,827	-	4,671	4,614,498
Investments at FVTPL	-	536,148		536,148
Investment properties (Note 10)	-	-	165,174	165,174
Property and equipment (Note 12)	-	-	191,917	191,917
Asset held for sale	-	-	12,042	12,042
	<u>4,609,827</u>	<u>536,148</u>	<u>373,804</u>	<u>5,519,779</u>
At 31 December 2023				
Investments at FVOCI	3,070,602	-	4,675	3,075,277
Investment at FVTPL	-	355,638	-	355,638
Investment properties (Note 10)	-	-	167,839	167,839
Property and equipment (Note 12)	-	-	192,002	192,002
Asset held for sale	-	-	12,042	12,042
	<u>3,070,602</u>	<u>355,638</u>	<u>376,558</u>	<u>3,802,798</u>

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 2023: Nil).

Although the Bank believes that its estimates of fair values are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair values.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

31 Cash and balances with the Central Bank of the UAE

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Cash in hand	116,021	115,224
Balances with the Central Bank of the UAE	1,695,276	1,495,178
Cash reserve with Central Bank of the UAE	773,129	921,605
Gross balance	<u>2,584,426</u>	<u>2,532,007</u>
Allowance for expected credit losses	<u>(6)</u>	<u>(6)</u>
	<u>2,584,420</u>	<u>2,532,001</u>

Cash reserve deposits are available for the Bank's day-to-day operations under certain specified conditions.

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

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Opening balance	6	1
Impairment charge for the period/year, net (Note 25)	-	5
	<u>6</u>	<u>6</u>

8 Due from banks

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Current, call and nostro balances	160,589	212,234
Fixed deposits	18,545	1,107,441
Gross balance	<u>179,134</u>	<u>1,319,675</u>
Allowance for expected credit losses	<u>(1,240)</u>	<u>(1,877)</u>
Net balance	<u>177,894</u>	<u>1,317,798</u>

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

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Opening balance	1,877	1,405
Impairment charge for the period/year, net (Note 25)	(637)	472
	<u>1,240</u>	<u>1,877</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

9 Loans and advances

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

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Loans and advances	13,681,463	14,114,418
Islamic financing	1,806,629	1,948,053
Gross loans and Islamic financing	15,488,092	16,062,471
Deferred profit	(29,430)	(31,846)
Interest suspended	(611,188)	(615,257)
Allowance for expected credit losses	(2,365,498)	(2,514,780)
Net loans and advances	12,481,976	12,900,588

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

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Corporate segment	14,783,018	15,347,295
Consumer segment	705,074	715,176
Gross loans and Islamic financing	15,488,092	16,062,471

The movements in the allowance for expected credit losses on loans and advances during the three-month period ended 31 March 2024 were as follows:

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Opening balance	2,514,780	2,703,840
Net charge during the period / year	120,254	360,564
Net amounts written off	(269,536)	(549,624)
	2,365,498	2,514,780

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Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

10 Investment properties

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Freehold land and building	<u>254,365</u>	<u>257,030</u>
Less: Allowance for impairment	<u>(89,191)</u>	<u>(89,191)</u>
	<u>165,174</u>	<u>167,839</u>

Towards the end of 2023, the Bank carried out an evaluation exercise of the investment properties 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 and asking prices of comparable properties within the same and comparable communities applying adjustments to reflect differences to the subject property.
- Investment method (Income Capitalization & DCF): The income capitalization method has been used to assess the value of the property by capitalising the net operating income of the property at an appropriate yield after allowing for appropriate maintenance and vacancies. A net yield range of 6% to 8.5% (2023: 6 to 8.5%) has been applied which reflects what an investor would expect for an investment of the duration of the interest being valued for the respective properties.

A further independent valuation has not been performed as of 31 March 2024 and management believes that the fair value on the reporting date is not materially different from carrying value.

The Bank has disposed of investment properties of AED Nil during the three-month period ended 31 March 2024 (31 March 2023: AED 35.9 million).

11 Other assets

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Interest receivable	255,533	214,670
Sundry debtors and other assets	<u>16,285</u>	<u>13,083</u>
	<u>271,818</u>	<u>227,753</u>

12.1 Intangible assets

During the three-month period ended 31 March 2024, the Bank acquired intangibles assets with a cost of AED Nil (31 March 2023: AED 6.1 million). The amortisation charged during the three-month period ended 31 March 2024 is AED 3.6 million (31 March 2023: AED 3.0 million).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

12.2 Property and equipment

During the three-month period ended 31 March 2024, the Bank acquired assets with a cost of AED 4.3 million (31 March 2023: AED 2.8 million). The depreciation charged during the three-month period ended 31 March 2024 is AED 2.8 million (31 March 2023: AED 2.2 million).

13 Customers' deposits

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
<i>By type:</i>		
Time deposits	6,973,736	4,927,417
Call accounts	876,711	848,295
Current accounts	4,270,990	4,533,598
Savings accounts	379,341	1,733,631
	<u>12,500,778</u>	<u>12,042,941</u>
<i>Islamic deposits</i>		
<i>By type:</i>		
Current accounts	792,179	615,972
Mudaraba term and savings deposits	6,536	12,984
Wakala deposits	1,254,011	2,078,122
	<u>2,052,726</u>	<u>2,707,078</u>
Total deposits	<u>14,553,504</u>	<u>14,750,019</u>
<i>By sector:</i>		
Private sector	7,948,269	8,334,470
Government sector	4,836,052	4,777,412
Individuals	1,769,183	1,638,137
	<u>14,553,504</u>	<u>14,750,019</u>

14 Due to banks

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Current, call and vostro balances	378,695	219,415
Fixed deposits	1,655,674	1,823,132
	<u>2,044,369</u>	<u>2,042,547</u>
<i>By location:</i>		
Within the UAE	302,536	842,441
Outside the UAE	1,741,833	1,200,106
	<u>2,044,369</u>	<u>2,042,547</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

15 Other liabilities

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Allowance for ECL on contingent assets	254,220	274,001
Interest payable	111,596	84,254
Provision for employees' end of service benefits	18,321	18,668
Others	386,988	175,757
	<u>771,125</u>	<u>552,680</u>

16 Capital and reserves

a) Share capital

The authorised, issued and paid-up share capital as at 31 March 2024 is comprised of 100,000 ordinary shares of AED 20,000 each (31 December 2023: 100,000 ordinary shares of AED 20,000 each).

b) Statutory reserve

As required by Article 241 of the UAE Federal Decree Law No (32) of 2021 on Commercial Companies, and the Bank's Articles of Association, 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 UAE Federal Law No. (14) of 2018 Regarding the Central Bank & Organisation of Financial Institutions and Activities, 10% of the net profit for each year is transferred to a special reserve until this reserve equals 50% of the share capital. 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 reserve includes cumulative gains on revaluation of freehold land and buildings, amounting to AED 138.5 million (31 December 2023: AED 138.5 million).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

16 Capital and reserves (continued)

f) Fair value reserve

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

	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Fair value reserve – Investments designated at FVOCI		
At 1 January	(66,029)	(112,136)
Fair value changes – net	(17,138)	46,107
	<u>(83,167)</u>	<u>(66,029)</u>

g) Dividends

For the year ended 31 December 2023, the Board of Directors has proposed to pay a cash dividend of AED nil per ordinary share (2022: AED 800 per ordinary share). This has been approved by the shareholders in the Annual General Meeting held on 18 April 2024.

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 months of the date of the acquisition / placement.

	(Unaudited) 31 March 2024 AED'000	(Unaudited) 31 March 2023 AED'000
Cash and balances with the Central Bank of the UAE	2,584,426	2,164,911
Due from banks	179,134	1,790,274
	<u>2,763,560</u>	<u>3,955,185</u>
Less: cash reserve with Central Bank of the UAE	(773,129)	(429,875)
Less: due from banks with original maturity of more than 3 months	-	(202,015)
Cash and cash equivalents	<u><u>1,990,431</u></u>	<u><u>3,323,295</u></u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

18 Interest income

	For the three-month period ended 31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Loans and advances to customers	201,712	189,925
Investment securities	51,748	25,018
Due from banks	29,534	28,202
	<u>282,994</u>	<u>243,145</u>

19 Interest expense

	For the three-month period ended 31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Customers' deposits	89,929	75,188
Due to banks	23,784	18,292
	<u>113,713</u>	<u>93,480</u>

20 Income from Islamic financing contracts

	For the three-month period ended 31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Ijarah	18,800	19,750
Murabaha	12,388	9,028
	<u>31,188</u>	<u>28,778</u>

21 Depositors' share of profits

	For the three-month period ended 31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Wakala	23,410	12,492
	<u>23,410</u>	<u>12,492</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

22 Net fee and commission income

	For the three-month period ended	
	31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Fee and commission income		
Letters of credit	9,846	13,015
Letters of guarantee	4,971	4,393
Retail and corporate lending fees	2,269	3,844
Transfers and other fees	2,780	3,316
Others	6,761	7,223
Total fee and commission income	26,627	31,791
Fee and commission expense		
Brokerage commission	(314)	(960)
Handling charges	(375)	(382)
Other commission	(3,320)	(2,057)
Total fee and commission expense	(4,009)	(3,399)
Net fee and commission income	22,618	28,392

23 Other operating income

	For the three-month period ended	
	31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Rental income, net	3,126	3,783
Others	11	416
	3,137	4,199

24 General, administrative and other operating expenses

	For the three-month period ended	
	31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Staff costs	50,168	49,746
Depreciation	9,088	7,830
Board of Directors' expenses	4,237	4,162
Others	12,859	18,189
	76,352	79,927

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

25 Net impairment charge on financial assets

	For the three month period ended	
	31 March	
	(Unaudited)	(Unaudited)
	2024	2023
	AED'000	AED'000
Net impairment charge on loans and advances	120,891	84,102
Net impairment (reversal) / charge on unfunded exposures	(19,781)	3,596
Net impairment (reversal) / charge on due from banks	(637)	2,363
Net impairment charge on balances with the Central Bank of UAE	-	790
Net impairment reversal on investment securities	(2,235)	(4,730)
Write-off of impaired financial assets	1,988	2,015
Recovery of loans previously written - off	(790)	(713)
	<u>99,436</u>	<u>87,423</u>

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)	(Audited)
	31 March	31 December
	2024	2023
	AED'000	AED'000
Letters of credit	1,771,658	1,610,164
Letters of guarantee	2,989,796	2,990,986
	<u>4,761,454</u>	<u>4,601,150</u>
Un-drawn commitments to extend credit	5,331,644	5,105,853
Commitment for future capital expenditure	17,524	13,726
	<u>5,349,168</u>	<u>5,119,579</u>
Total commitments and contingencies	<u>10,110,622</u>	<u>9,720,729</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

27 Related party transactions

Identity of related parties

The 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. The Bank's shareholding pattern is as follows:

	Shareholding percentage %	
	2024	2023
Emirates Investment Authority	42.28	42.28
Libyan Foreign Bank	42.28	42.28
Banque Exteriure d'Algerie	15.44	15.44

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 period were as follows:

Balances:	Key management personnel		Others	
	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000	(Unaudited) 31 March 2024 AED'000	(Audited) 31 December 2023 AED'000
Loans and advances	2,099	5,884	414,422	385,759
Due from banks	-	-	15,485	19,241
Deposits	2,550	25,204	4,313,369	4,500,437
Due to Banks	-	-	859,347	915,762
Commitments and contingencies	-	-	888,713	1,005,194
Transactions:	Key management personnel		Others	
	(Unaudited) 31 March 2024 AED'000	(Unaudited) 31 March 2023 AED'000	(Unaudited) 31 March 2024 AED'000	(Unaudited) 31 March 2023 AED'000
Board of Directors' remuneration	4,237	4,162	-	-
Salaries and benefits	2,950	3,977	-	-
Post-employment benefits	412	239	-	-
Interest income	35	267	7,521	5,595
Interest expense	6	115	52,672	36,744
Fee and commission	-	-	1,558	1,337

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

27 Related party transactions (continued)

Included within others above are balances and transactions with the Bank's shareholders and parties related to them.

Loans and advances issued to related parties are repayable over one year and bear interest rates ranging between 5% and 11% (31 March 2023: 4% and 17%). No collateral is under lien on loans and advances to related parties. There were no loans and advances to related parties that were classified as stage 2 or 3 as of 31 March 2024 (31 December 2023: Nil).

Due to banks from other related parties include term deposits under lien amounting to AED 845 million (31 December 2023: AED 845 million).

The Bank has received a corporate guarantee from a related party as a collateral for loans and advances amounting to AED 1,056 million (31 December 2023: AED 1,039 million).

28 Basic and diluted earnings per share

	For the three month period ended 31 March	
	(Unaudited) 2024 AED'000	(Unaudited) 2023 AED'000
Profit for the period	<u>43,463</u>	<u>42,521</u>
Weighted average number of ordinary shares	<u>100,000</u>	<u>100,000</u>
Earnings per share (AED)	<u>0.43</u>	<u>0.43</u>

There were no potentially dilutive securities as at 31 March 2024 or 31 March 2023, and accordingly, diluted earnings per share are the same as basic earnings per share.

29 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse. At 31 March 2024, the market value of such assets amounted to AED 309.8 million (31 December 2023: AED 312.3 million) and are excluded from the financial statements of the Bank.

30 Implementation of corporate tax law & application of IAS 12 income taxes

On 9 December 2022, UAE Federal Decree Law No. 47 of 2022 was published setting in place a general corporate income tax for the first time. The taxable income threshold, of upto AED 375,000 will be taxed at 0% and beyond AED 375,000 will be taxed at 9%, will apply as clarified via Cabinet Decision No. 116 of 2022 published on 16 January 2023; and at this point the tax law was considered enacted and substantively enacted for accounting purposes. The UAE Tax Law has confirmed the application of the Corporate Tax ('CT') to tax periods commencing on or after 1 June 2023. Therefore, the Bank's effective date of applying the CT regime is the current financial year commencing from 1 January 2024. The Bank has considered the timelines of Corporate Tax registration in accordance with the FTA decision No. 3 of 2024 and has started its registration process. Current taxes are now payable for the year starting 1 January 2024 potentially leading to a corresponding impact on deferred tax liabilities and assets; where the carrying amount differs from the tax base.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the three-month period ended 31 March 2024 (unaudited) (continued)

30 Implementation of corporate tax law & application of IAS 12 income taxes (continued)

Whilst a number of Tax Guides have been issued by the Federal Tax Authority to help taxable persons understand the provisions of the CT law, it is expected that further guides would be issued in the coming periods to provide further clarity on the application and interpretation of the UAE Tax Law. This will be monitored closely by the management to assess any relevant impact on the Bank's tax position.

Based on the review and assessment, the current tax impact has been calculated considering the potential adjustments which has resulted in an effective tax rate of 9%.

The following table provides an analysis of the Bank's tax expense related to current tax:

	For the three month period ended 31 March
	(Unaudited)
	2024
	AED'000
Current tax on profit for the period	<u>4,261</u>
Tax expense	<u><u>4,261</u></u>

31 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 2024.