ANNUAL REPORT 2021

المصرف
AL MASRAF
Arab Bank for Investment & Foreign Trade المصرف العربي للاستثمار والتجارة الخارجية

بسم الله الرحمن الرحيم

His Highness
Sheikh Khalifa bin Zayed Al Nahyan
President of the United Arab Emirates
and Ruler of Abu Dhabi

His Highness
Sheikh Mohammed Bin Rashid Al Maktoum
Vice President of the United Arab Emirates
and Ruler of Dubai


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VISION

To become an innovative and preferred financial partner for all banking services in the region.

MISSION STATEMENT

- Become first choice bank for the customers with best-in-class products and services
- Be an employer of choice to attract, develop and retain high profile employees
- Benefit our investors with sustainable Return on Investment (ROI) and continuous success
- Contribute to society through active participation in the regional economic development initiatives

VALUES

- Customer Focus
- Organization Commitment
- Change Orientation
- Quality Focus
- Team Spirit

BOARD OF DIRECTORS

Mr. Farhat Omar Ben Gdara

Chairman

Mohamed Saif Al-Suwaidi

Deputy Chairman

Mohamed Najib Hmida Eljamal

Director

Raja Mohammed Ghanim AlMazrouei

Director

Lazhar Latreche

Director

Amr Yaklaf Amr Al Hgag

Director

Khalaf Sultan Rashed AlDhaheri

Director

Mustapha Makhlouf

Director

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I present to you the Annual Report of Arab Bank for Investment and Foreign Trade (Al Masraf) for the financial year ended December 31, 2021.

2021 Financial results mark a welcome return to profitable operations as the Bank steadfastly focussed on asset quality whilst continuing to selectively underwrite new business. The steady return to growth across various sectors of the national economy, and the ongoing application of the Bank's digital and transformation strategies should provide a strong platform for growth in the future. There has been good progress and deliveries across all our businesses, reflected through the consistent operating performance and expanding trade and operational activities.

Al Masraf achieved a net profit of AED 132 million for the year representing a growth of 115% driven by sustainable underlying business momentum, disciplined cost control and marked improvement in respect of impairment losses. As the business environment continues to improve, Al Masraf's resilient balance sheet, with strong capital and comfortable liquidity positions, provides it with a solid foundation to support sustainable growth.

The bank's balance sheet remains sound with the Customers' deposits increasing by 1% to reach AED16.4 billion as compared to AED 16.2 billion in 2020. Current and saving account balances increased to AED 5.3 billion compared to AED 4.7 billion in 2020, whilst term Deposits were lower by 4% to reach AED 11.1 billion in 2021 from AED 11.6 billion in 2020 as the bank continued to improve its funding mix. The Investments Portfolio increased by 32% to reach AED 3.24 billion compared to AED 2.45 billion in 2020. In line with the Bank's focus on asset quality, loans and advances reduced by 5% to reach AED 14.9 billion. Total assets were lower by 6% during 2021 to reach AED 22.5 billion. The level of impairment charges reduced significantly in 2021 to AED 359 million compared to AED 1,377 million in 2020, while enhancing the loan loss coverage.

Fitch Ratings (Fitch), a global leading credit rating agency has assigned Arab Bank for Investment & Foreign Trade (Al Masraf) a Long-Term Issuer Default Rating (IDR) of 'A' with a stable outlook and a short term IDR of 'F1'. This outcome demonstrates the resilience of the bank and is attributed to the efficiency of our business strategy and continued confidence bestowed in us from our shareholders. The underlying core business remains satisfactory, liquidity at adequate levels, supported by the trade finance business, and capital adequacy at circa 20% is higher than the minimum regulatory requirement enabling us to face these exceptional times with confidence and providing us a good platform for our recovery as we are well-positioned to pursue growth across our businesses in 2022.

As the UAE economy continues to recover, Al Masraf is in a strong position to expand its customer base and create value, powered by investment in leading digital banking platforms.

The year 2021 witnessed the UAE's celebration of its golden jubilee, marking its unique human journey over the first 50 years of its history and its preparations for an effective and sustainable transformation for the next 50 years to provide the best quality of life for current and future generations. The UAE continues to proactively diversify its economic system preparing for the post-oil phase by launching the largest comprehensive strategy to serve this goal. As part of this strategy, the UAE has in hand a post-oil economic plan for all its vital sectors; these are covered through the decisions of the UAE National Agenda 2021 and the UAE Centennial 2071, which are all aimed at consolidating economic diversification that will have a positive outcome for the society.

During 2021, the United Arab Emirates launched Expo 2020 Dubai, the world's biggest cultural gathering, in a ceremony streamed to millions across the world, in which the UAE dazzled the world's governments and peoples with its ability to organize the best edition ever in the history of the international event. The Expo brings together more than 190 countries to explore new ideas, form new connections and collectively tackle some of the greatest global challenges of our time.

In its efforts to further strengthen the country's position as an international economic centre and encourage the flow of investments to the country's vital economic sectors, the UAE government launched many initiatives aimed at boosting the country's competitive edge and provide integrated and unique advantages and facilities for entrepreneurs to start and conduct their businesses in the country's markets. These include various options for residency, talent attraction, availability of skilled manpower, 100% foreign ownership of companies and projects and the absence of restrictions on profit transfer or capital resettlement.

The UAE banking sector continued to efficiently support the economic development by mobilizing the necessary financial resources and providing the necessary funding to bolster its national economy and create the required investments. According to the estimates of the Central Bank of the UAE (CBUAE), the UAE's gross domestic product (GDP) is expected to grow by 4.2 per cent and the non-oil product by 3.9 per cent in 2022. The CBUAE has also forecast a 2.1 per cent GDP growth in 2021 with the real non-hydrocarbon GDP projected to increase by 3.8 per cent.

The CBUAE reaffirmed its continued commitment to supporting the economic recovery through the Targeted Economic Support Scheme (TESS) launched in response to the coronavirus pandemic. Financial institutions will continue to be able to tap a collateralized AED 50 billion zero-cost liquidity facility until June 30 2022.

I am proud to announce that Al Masraf has won in the silver category of the prestigious Sheikh Khalifa Excellence Award 2021 for its outstanding performance in the financial sector. This noteworthy achievement reflects Al Masraf's financial and operational excellence gained through innovative global practices.

Moving into 2022, the Bank remains well placed to capitalize on its strengths in an improving local economic climate to deliver consistent returns to all our valued shareholders whilst maintaining the highest standards of governance across the bank.

Al Masraf will continue to maintain a conservative risk appetite and leverage its digital capabilities to ensure that all its customers receive the best banking experience. To achieve sustainable growth our focus will remain on the delivery of an enhanced customer journey through existing growth platforms and continued investment in our digitization and transformation program.

On behalf of the Board and the entire team at Al Masraf, I extend our sincere appreciation and gratitude to His Highness Sheikh Khalifa bin Zayed Al Nahyan, the UAE President and Ruler of Abu Dhabi; to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai; to His Highness Sheikh Mohammed bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Deputy Supreme Commander of the UAE Armed Forces; and to the Central Bank of the UAE for their constant support. I would also like to extend our sincere gratitude and appreciation towards all the health care workers and those who are serving on the front lines who have selflessly worked to protect us. Lastly, we would like to thank our shareholders, our valued customers as well as Al Masraf employees for their continued support.

Farhat Omar Ben Gdara
Chairman

ACTING CEO'S MESSAGE

Arab Bank for Investment and Foreign Trade (Al Masraf) concluded the year 2021 on a positive note supported by an improving macroeconomic outlook. The Bank posted a profit of AED 132 million in 2021, an increase by 115% compared to a loss in 2020, as the impairment charge for the year reduced significantly to AED 359 million from AED 1,377 million in the prior year.

In 2021, the Bank's focus continued to remain on asset quality as most of the overall economic indicators showed positive improvement. Although, as part of the Bank's de-risking strategy, total assets trended down to AED 22.5 billion in 2021, the customers' deposits increased by 1% to reach AED 16.4 billion from AED 16.2 billion in 2020. The Bank continued to place emphasis on growing its current and savings balances, which registered a healthy double- digit increase to AED 5.3 billion as at 31 December 2021 from AED 4.7 billion as at 31 December 2020. Given the conservative and persistent focus on credit quality, the loans and advances were lower by 5% in 2021 at AED 14.9 billion. The investments portfolio was considerably higher by 32% and reached AED 3.24 billion as at 31 December 2021 compared to AED 2.45 billion in 2020 mainly due to increase in the Monetary-Bills which stood at AED 924 million as at 2021 year-end.

The liquidity position remained healthy as evidenced by the headline loan to deposit ratio of well below 100% at the year-end. Also, other key regulatory liquidity ratios were comfortably met. As at 31 December 2021, the capital adequacy of the Bank was robust at 19.8 %, higher than the minimum regulatory requirement of 13% providing the Bank adequate buffers to pursue growth across businesses. The CET 1 and Tier 1 capital adequacy ratio of 18.7% again were strong and well ahead of the minimum requirements set by the Central Bank of the UAE.

The Bank has also managed to keep the operating costs under control without compromising on strategic investments in the areas of technology, digitalization and infrastructure. In 2021, the cost to income ratio improved to 33.9% as against 35.9% in 2020.

The results of the Bank demonstrates the success of the Bank's digital journey and is a testament to the efforts and the exceptional work carried out in dealing with the challenges imposed by the Covid-19 pandemic. We are looking forward to the future and continuously developing and improving our business model and activities in line with our customer base and sustainable growth strategy.

During the year, Al Masraf launched an exclusive Libyan Trade Finance services desk, which significantly increased corporate accounts and business flows by the Libyan clients. In 2021, Al Masraf focused on improving its non-interest income such as the Trade Finance income, with the related fee income increasing significantly by over 50% year-over-year. As part of the enhanced product offering, the Bank also expanded its offering of Sharia'a compliant Islamic banking products in Abu Dhabi.

The Bank signed a Memorandum of Understanding with Jebel Ali Free Zone, a leading trade and logistics hub of DP World to support the business operations of SMEs and other enterprises licensed within the Jebel Ali Free Zone. This agreement should facilitate the business activities of more than 8,700 customers operating within the free zone and achieve its goal of empowering SMEs and attracting entrepreneurs.

While banking services to our corporate clients, including companies and institutions, have been the major focus of our business, over the past few years we continued our efforts to expand a number of personal banking services in order to meet the needs of our corporate and individual clients. Our objective is to diversify our business portfolio and expand our income sources.

The Bank has been able to selectively enhance its retail portfolios and expand its customer base. This has been mainly attributed to management and staff's agility in responding to the Covid-19 situation and ensuring that customers continue to be served with the highest standards through conventional and digital channels.

In keeping with the Bank's strategy to provide value-added product offerings, Al Masraf has signed an agreement with the Mohammed bin Rashid Housing Establishment to provide various Sharia'a-compliant housing financing options to UAE nationals. The partnership aims to increase home ownership among Emiratis, as Al Masraf will be offering home financing solutions.

The Bank launched many digital services in 2021 and experienced strong customer engagement on its digital channels. The Bank opened its first Electronic Banking Unit at Al Yalayis Government Transactions Center in Dubai. Through its new Electronic Banking Unit, Al Masraf aims to strengthen its presence in the digital banking space and provide its clientele with a seamless banking experience.

Additionally, the Bank launched new innovative products and solutions focused on optimizing digital and smart technologies such as automation software, cutting-edge work applications, and remote communication systems to further enrich the experience of our customers and meet their current needs.

We have been assigned a Long-Term Issuer Default Rating (IDR) of 'A' in 2020 and 2021 by the leading global credit rating agency Fitch Ratings and this achievement only demonstrates the Bank's resilience and efficiency.

With the continuing improvement in the operating and economic environment, the Bank continues to be constructively optimistic of its performance and to enhance its franchise.

Building on the foundations laid in recent years, we aspire to deliver a seamless omni channel experience to our customers. We will continue to strengthen and improve efficiencies across the channels like branches, call centres and digital platforms using process transformation and automation initiatives. We will accelerate use of digital channels and invest in innovative solutions and mobile service. We remain cognizant of the challenges posed by Covid-19 and are continually re-assessing and re-aligning our operational strategies as we continue to serve our customers and clients.

During the year, Al Masraf won in the silver category of the prestigious Sheikh Khalifa Excellence Award 2021 for its outstanding performance in the financial sector. This recognition confirms the contribution we are making to the development of the country's economy and demonstrates that we are on the right track of offering our clients the best products and services available in the market. The Bank also won the '2021 Best Customer Service in Investment Banking' recognition at the Transformational Leadership Awards 2021.

Finally, I would like to express my sincere gratitude to the Board of Directors, the Executive Management team and employees of Al Masraf for their constant efforts to fulfil the tasks and responsibilities with great dedication and hard work.

Charles Doghlass
Acting Chief Executive Officer

EXECUTIVE MANAGEMENT

Charles Doghlass

Acting Chief Executive Officer (ACEO)

Rohit Kumar

Chief Risk Officer

Masood Safar Al Majedi

Chief Compliance Officer

Sanjeev Dureja

Chief Financial Officer

Nitin Bhargava

Chief Operation Officer

Razi Heyasat

General Counsel & Board Secretary

Ammar Husain

Head of Human Resources

Ajay Sehgal

Head of Treasury & Investment

Moath Ahmed Mustafa

Head of Internal Audit Department

CORPORATE GOVERNANCE REPORT

INTRODUCTION

The Bank practices good governance with the belief to create long-term added value on a sustainable basis for all its shareholders and all interested parties through the commitment to the principles contained in the Governance Code. The Code builds good governance principles in all of the bank's activities.

Under governance, both the Board of Directors and the Bank's Management are committed to the principles set out in the Governance Code. Both the Board of Directors and the Bank's Management act at the best interests of the Bank and its business.

The Bank has a vision, mission and values of its own consistent with the principles and philosophy of governance. The Board of Directors adopted this and ensured that it is applied.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (BODs)

The BODs have overall responsibility to manage and conduct the Banks affairs, including adopting strategic objectives and overseeing the senior Management under the corporate governance framework and Al Masraf Culture Guide.

BODs primary responsibility is to provide effective governance over Al Masraf affairs for the benefit of its shareholders, and to balance the interests of its diverse constituencies, such as its customers, employees, suppliers under the framework of the work environment of Al Masraf.

In all actions taken by the BODs, the directors are expected to exercise their business judgment in what they reasonably believe to be in the best interests of Al Masraf and to comply with relevant laws, regulations, rules and best
practices. In discharging that obligation, the directors may rely on the honesty and integrity of Al Masraf's senior executives and its advisors and auditors.

The BODs shall be responsible to ensure that the Management balances the promotion of long-term growth with the delivery of short-term goals. The BODs are the main body for making decisions within Al Masraf.

The BODs define appropriate governance structures and suitable practices for its own work, and puts in place the means and mechanism for such practices to be followed and periodically reviewed for its ongoing effectiveness.

ROLE OF THE BOARD OF DIRECTORS

BODs are empowered, under Al Masraf's Article of Association ("AOA") with the widest powers necessary to carry out the activities and functions required to fulfil the objectives of Al Masraf, which includes but not limited to:

1. Determining strategic goals of the Bank and guiding the Senior Management.
2. Supervising the Senior Management and follow up its performance and ensure of the safety of the financial position of Al Masraf by adopting policies and adequate procedures to supervise and oversee the performance of Al Masraf.
3. Ensuring that the Bank manages risk effectively by approving Risk Appetite Statement and risk framework and monitor aggregate risk exposures that occurs to the Bank in its generality.
4. Ensuring implementation of disclosure policies and procedures that comply with regulatory requirements.
5. Appointing Chief Executive Officer of the Bank and his deputies and key members of Senior Management that includes organizing their selection process and their compensation, monitoring and overseeing succession planning.
6. Ensuring that the Bank has strong and well-articulated cyber security systems in place. The BODs must learn about any related breaches or losses.
7. Establishing conflict of interest practices between the Board members and within Al Masraf in general.

28/01/2021	Board Meeting No. 1/2021/233
28/02/2021	Board Meeting No. 2/2021/234
28/03/2021	Board Meeting No. 3/2021/235 and General Assembly Meeting No. 45/2021
09/05/2021	Board Meeting No. 4/2021/236
16/08/2021	Board Meeting No. 5/2021/237
12/09/2021	Board Meeting No. 6/2021/238

BOARD COMMITTEES

The BODs often delegates work to committees of directors to more effectively deal with complex or specialized issues and to use directors' time more efficiently. Committees make recommendations for action to the BODs, which retains collective responsibility for decision-making.

Audit and Compliance Committee (ACC)

The primary purpose of the ACC is to assist Al Masraf's BODs in fulfilling its overseeing role regarding establishment of controls and compliance standards and maintaining effective Corporate Governance policies and procedures.

The ACC plays a vital role in helping Al Masraf in achieving its objectives by enhancing the transparency in financial reporting process rather than providing reasonable assurance with regard to compliance with rules and regulations and adopting financial standards and forwarding it to the Board and recommending to appoint external auditors.

Remuneration and Nomination Committee (RNC)

The RNC considers matters relating to appointing the Senior Management and review their remunerations and motivations including policy for executive Management remuneration and their annual individual remuneration awards.

The RNC also reviews succession plans for the Chief Executive Officer and other key Senior Management positions.

The RNC approves and review strategic HR issues including employee retention, motivation and commitment and succession planning for senior management positions.

Board Risk Committee (BRC)

BODs appoint the BRC for overseeing of the following:

1. Risk arising from all businesses of Al Masraf and control processes related to it.
2. Ensure comprehensive Risk Management functions and organization within the Bank.
3. Ensure that Risk Management adopts best practices and follow regulatory stipulations.

Board Credit and Investment Committee (BCIC)

The purpose of the BCIC is to ensure that the quality of assets meets Al Masraf's Risk appetite.

And the BCIC is the designated body to take Credit/ Investment decisions (within the powers delegated by the Board).

The objectives of the BCIC are to:

1. Establish a Centralized Policy Credit and Investment decisions approval.
2. Make speedy decisions and timely responses to the urgent Credit and Investment queries of the customers.
3. Ensure the quality of Credit/Investment decision making for the benefit of Al Masraf.

Corporate Governance Committee (CGC)

CGC is a set of systems, principles and processes by which an organization is directed and controlled for the long-term benefit of all Stakeholders.

The purpose of the CGC is to ensure and monitor the implementation of Corporate Governance Code in real spirit in Al Masraf. Where it evaluates the performance of Board members and committees, ensuring the effectiveness of applying corporate governance within the bank, adopting, and reviewing the Annual Governance Report.

Strategy and Innovation Committee (SIC)

The main purpose of this SIC is to keep the BODs aware of the progress in executing the bank's business and digital strategies. The SIC gives its recommendations, for any strategic decisions raised by the bank to the BODs, which makes addressing such strategic decisions more efficient.

The SIC, which includes members and advisors with extensive experience in Technology, acts as a trigger for innovation in business and digital domains and facilitates the timely decisions on any strategic innovative idea.

Board Executive Committee (BEC)

The main Purpose of the BEC is to assist the BOD to expedite making the necessary decisions in accordance with the applicable laws, Regulations and Bank's policies.

The BEC Consist of four members of the BODs in addition to the Acting CEO.

Committee	Member	Position	Frequency as per Charter	Meeting held on 2021
Credit and Investment Committee	Mohamed Saif Al-Suwaidi Khalaf AlDhaheri Mohamed Najib Eljamal Raja AlMazrouei	Chairman Member Member Member	At least 3 times in a year	1
Audit and Compliance Committee	Raja AlMazrouei Mohamed Najib Eljamal Abdulqader Obaid Ali	Chairperson Member Independent Audit Member	At least quarterly	8
Risk Committee	Khalaf AlDhaheri Mustapha Makhlouf Amr Yaklaf Amr Al Hgag	Chairman Member Member	At least 4 times in a year	7
Nomination and Remuneration Committee	Mohamed Saif Al-Suwaidi Lazhar LatrecheAmr Yaklaf Amr Al Hgag	Chairman Member Member	At least once yearly	5
Corporate Governance Committee	Farhat Ben Gdara Mohamed Saif Al-Suwaidi Lazhar Latreche	Chairman Member Member	At least once yearly	
Strategy and Innovation Committee	Farhat Ben Gdara Raja Al Mazrouei Abdulqader Obaid Ali	Chairman Member Advisor	6	4
Board Executive Committee	Farhat Ben Gdara Raja Al Mazrouei Mohamed Saif Al-Suwaidi Khalaf AlDhaheri Charles.Doghlass	Chairman Member Member Member Member	Upon request	5

Since the Bank established the BEC and due to that, CGC and BCIC didn't meet the minimum meetings as the BEC covered a part of their responsibilities.

Frequency of Meetings

BODs shall meet at the Bank's Headquarter or outside at least 6 times yearly or whenever the need arises.

The agenda of the meeting with supporting documents shall be provided to the directors within sufficient time prior to the meeting date to provide ample time for review beforehand.

And a director has the right to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

Decision Making within the Board

Decisions of the Board shall be taken by vote of the majority of Board i.e. directors present. If votes are equal the side which the Chairman supports shall prevail.

The Board may take some decisions passing resolutions if all BODs agree that the case necessitates that due its urgency and the proposed resolutions are delivered to BODs in writing and accompanied by all necessary supporting information.

And the resolution shall not be considered as effective unless all the BODs approves it and shall enter into force in the upcoming meeting. If a Member has a reservation, the core reasons for such negative vote shall be minuted.

Remuneration

The form and amount of remuneration to directors is determined by the shareholders upon the recommendations of the Board, within the provisions of Bank's Articles of Association and applicable Law.

Conflict of Interest

A Board Directors shall disclose any conflict of interest to the Board. Board members shall not use inside information to achieve personal gains for themselves or others.

They shall also abstain from voting or even taking part in decision making process on any matter where they have an actual or potential conflict of interest. And it is not permitted for BODs to enter into any advisory relationship with Al Masraf.

Confidentiality

The BODs shall disclose any conflict of interest to the Board. Board members shall not use inside information to achieve personal gains for themselves or others.

They shall also abstain from voting or even taking part in decision making process on any matter where they have an actual or potential conflict of interest. And it is not permitted for BODs to enter into any advisory relationship with Al Masraf.

Confidentiality

BODs shall keep the entire Bank's information strictly confidential so as long as such information has not been made public.

At the end of the term of their mandate, they must return all confidential documents to Al Masraf and destroy all electronic copies if directed to do so by Al Masraf and they remain legally responsible if any information is made public through them.

Corporate Governance Standards

In discharging its responsibilities, the BODs shall have regard to establish and evolving best practice Corporate Governance standards. If it is required to work on basis different than these standards or codes or the Central Bank of the UAE guidelines is required or believed to be appropriate, Al Masraf shall provide appropriate explanation and justification and use as required, in the Bank's external disclosures.

Difference Between the Positions of the Chairman of the Board of Directors and the Chief Executive Officer

The Chairman of the BODs and the Chief Executive Officer has different kind of responsibilities, therefore to prevent any conflict of interest and to preserve an effective supervision over the management, the positions should be occupied by two different individuals in application to the valuable principles of the code.

Board Activities In 2021

The Board of Directors met six (6) times in 2021 and received information in between meetings on regular basis from the Board and Management Committees in relation to the Bank's business developments.

Management Committees

> Management committees have ultimate responsibility for directing the activity of Al Masraf, ensuring it is well run and delivering the outcomes for which it has been set up.

(i) Credit Committee

The purpose of the committee is to ensure that quality of financing meets the Bank's Risk-and-Return Strategy and Policies.

The objectives of the committee are to:

- Management of the Bank's credit exposures.
- Establish a collective Credit approval process at Management level.
- Competitive speed of decision - making.
- Timely response to urgent needs of the customers.
- Monitor performance and quality of Bank's Credit portfolio.
- To review overall credit portfolios through various Credit/Risk reports.
- Ensuring compliance with Central Bank of the UAE (CBUAE) and other regulatory guidelines with regard to asset quality and classification.

(ii) Digital & Transformation Committee

The committee considers strategies and policies relevant to business development and to attain the desired market position and any other matter pertinent in the day to day operations of the Bank.

(iii) IT Steering Committee

This committee is constituted to review and evaluate all digital, technology and transformation initiatives, with a view to recommend the most beneficial ones to achieve organization goals and objectives and to maintain oversight and provide direction on all the initiatives related to business, digital and information technology.

(iv) Management Risk Committee

The Management Risk Committee is formed to oversee and take decisions for mitigation and control of Bank wide risks.

It also includes assessing risks and making action plans related to:

- Risks arising from businesses of the Bank and related control processes.
- Comprehensive Risk Management and organization within the Bank.
- Follow best practices in Risk Management and regulatory stipulations.

(v) Investment Committee

The purpose of Investment committee is:

- To take Investment Decisions in Stocks and Bonds.
- To review the Stock and Bond portfolio.
- To take Liquidation Decisions for Individual Stock and Bonds.

(vi) Asset Liability Management Committee

The Asset/Liability Committee of the Board (ALCO) has been established by the Board of Directors of Al Masraf Ban to assist the BODs by assessing the adequacy and monitoring the implementation, of the Bank's Asset / Liability Management Policy and related procedures.

The ALM Policy will include specific policies and procedures relating to

- Interest rate risk
- Market/investment risk
- Liquidity risk
- Contingency funding plan
- Funds transfer pricing, and
- Contingency funding plan

(vii) Remedial Management Committee

The purpose of Remedial Management Committee is to:

- Improve efficiency of Remedial Management by respective units after reviewing/ acting on the reports of Recovery and Remedial management units within business and Credits.
- Expedite Process of Restructuring and settlement by taking decisions on proposals or suggest changes in existing term and conditions including deferrals, with notifications to Credit Committee (CC) (or approval, if found necessary).

(viii) Procurement Committee

This committee reviews and evaluates the purchasing process in order to select the most appropriate supplier or service provider based on price, quality, local support and competence profile of the vendor, stock availability, reference, etc.

(ix) Provisioning (Impairment Allowance) Committee

- The purpose of Provisioning Committee is to review and confirm the adequacy of the required credit provisioning as part of quarterly exercise coordinated by Credit & Risk at Bank-wide level.

- As part of its responsibilities, the committee also reviews recommendations from Remedial Management Committee on customer's upgrade/ downgrade, re-aging, rebuttals etc. to compute the provision.

(xi) Human Resource Committee

The purpose of HR committee is:

- To ensure effective decision-making process on all Human Resources related matters.

- The Human Resource Committee (HRC) provides a frame work to strategically manage the Human resources of the Bank by ensuring an effective organization structure, sourcing process, promoting performance driven work culture and Banks Vision and Values, sound compensation practice and by meeting all social and legal obligations.

OTHER ASPECTS OF CORPORATE GOVERNANCE

Related Party Transaction Policy

Al Masraf is following the requirements of relevant Central Bank Corporate Governance Regulation for Banks with respect to related party transactions. Related parties can include its Controlling Shareholders, Members of the Board and Senior Management (and their First-Degree Relatives) and person with control, joint control or significant influence over the Bank (and their First-Degree Relatives).

Adherence to AML & Combating Financing of Terrorism Regulations

Al Masraf is committed to ensuring adherence to laws and regulations relating to Anti-Money Laundering (AML), combating the Financing of Terrorism (CFT) sanctions compliance and to the relevant recommendations of and Financial Action Task Force throughout the Bank.

Code of Ethics and Business Conduct

Ethics involves applying moral standards – good, right and fair standards of conduct which are supported by values, to shape the decisions and actions of individuals within the organization in the pursuit of Al Masraf's objectives.

Whistle Blowing

Whistle blowing is a channel of communication that encourages employees to blow the whistle safely (raise the alarm) about such concerns as mentioned to protect the interest and image of Al Masraf without having the fear of being victimized.

Outsourcing of Various Functions of the Bank

Al Masraf should have a clear policy when assigning its functions to an outsourcer.

Al Masraf should have in place a comprehensive policy to lead and guide the assessment operation of the functions activities in a way whether those activities can be outsourced and the appropriate procedure to do so.

Sharia'a Compliance – Islamic Products and Services

Al Masraf shall strictly adhere to Islamic Shari'a regulations and principles in accordance with the interpretation of Al Masraf's fatwa and Sharia'a Supervisory Board, and its directions and advices, in respect of all products and services offered under the Islamic window or branches.

Compliance

Compliance function at Al Masraf is independent and has unrestricted access to Senior Management, Board as well as all necessary information. Al Masraf has a comprehensive Compliance & AML policy in place. It has a well-defined process for performing ongoing and periodic due diligence on qualifying new and existing customers as per risk-based approach. In line with international standards, Compliance Dept. arranges periodic trainings, which is mandatory for all bank staff to attend. Internal and external examiners, as well as assessors have independently validated adequacy of Al Masraf's compliance function.

Risk

The risk management framework lays emphasis on the Bank's risk philosophy, proper organizational structure, risk and reward balance and is supported by dedicated monitoring and risk measuring mechanism.

Al Masraf has most of the required policies and procedures that defines the operational aspects of the Bank's key activities.

In addition, Business Units also use approved process notes, procedure documents etc. to establish formal processing. We have acquired a process flow application which provides the staff an online access to the Policies, Standard Operating Procedures (SOPs) and training.

Al Masraf has an independent Risk Management Structure headed by Chief Risk Officer who functionally reports to Board Risk Committee.

Legal

Legal Department provides exemplary legal services mitigating bank's financials and reputational risk by implementing internal customer focused policies, terms and conditions and continual improvement of Quality Management System for delivering best in class legal services including but not limited to providing advices as precautionary actions, vetting and drafting of documentations, contracts, account openings, borrowing documents and collateral securities, protecting Al Masraf's interest.

Audit

Internal Audit charter which is approved by Audit Committee identifying internal audit responsibilities, authority and reporting line which are administratively with the CEO and functionally with the Board Audit Committee.

Independent, objective assurance and consulting functions evaluate the effectiveness of risk management, control and corporate governance process.

Internal audit applied a comprehensive risk-based audit of all operating units and departments in Al Masraf to ensure e.g. compliance with internal policies, procedures, international standards and applicable laws and regulations.

Social Responsibility of the Bank

Corporate Social Responsibility (CSR) is a key indicator of the economic advancement of financial institutions. It no longer limits to the financial side but has transcended the contribution of financial institutions in building society and achieving social solidarity. Al Masraf has, during the past years, achieved qualitative leaps and remarkable results, which were clearly demonstrated in the comprehensiveness of the social, voluntary and charitable services that were embraced by the bank, whether through initiative, partnership or sponsorship. The Bank has adopted a policy and methodology to prove its worth in carrying out its role to support the society through its CSR initiatives within the framework of Corporate Governance which comprises of many pillars including social, environmental, corporate governance and workplace commitments.

1. Bank commits to support the community and society co-exist by contributing to and creating awareness on health and welfare issues.
2. Bank strives to be an industry leader by adopting progressive environmental standards and practices that demonstrate Bank's commitment to CSR.
3. Bank's governance commitment ensures that the Bank consistently strives to achieve the highest ethical standards in its dealings with its staff, customers, contractors and suppliers. Bank commits to adhere to policies and procedures etc.
4. Bank strives to be fair, transparent and provide equal opportunities to all staff.

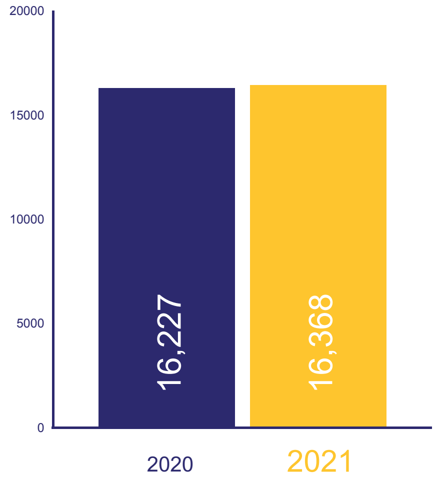
In 2021, the Bank maintained its position as a responsible national banking institution seeking to contribute to supporting economic development in the country.

Our CSR programs spread over a wide range of initiatives including but not limited to the participation in the initiative for National Default Debt Settlement Fund program launched by the UAE government for the 4th time in a row. As a part of contributing to and creating awareness on health and welfare issues of staff, we organized a COVID-19 vaccination campaign and Breast Cancer Awareness for all staff members.

FINANCIAL HIGHLIGHTS

CUSTOMER'S DEPOSIT

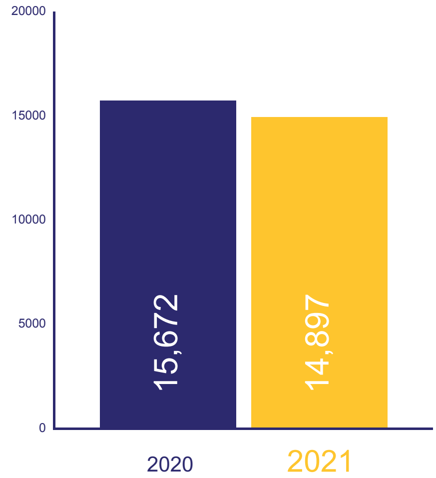
AED Mn



1% INCREASE OVER THE PREVIOUS YEAR

NET LOANS & ADVANCES

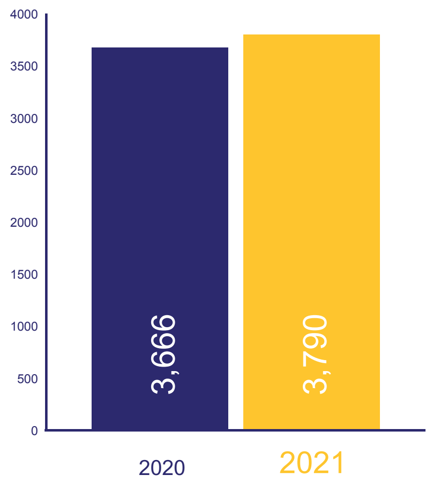
AED Mn



5% DECREASE OVER THE PREVIOUS YEAR

TOTAL EQUITY

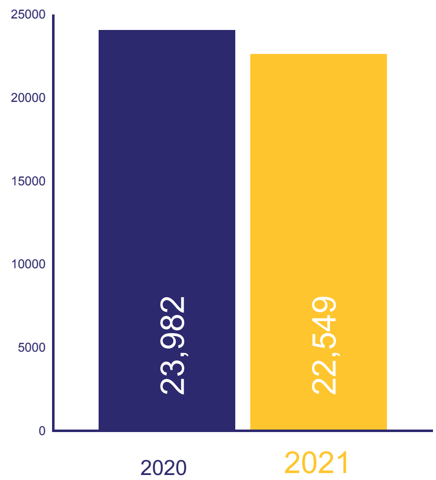
AED Mn



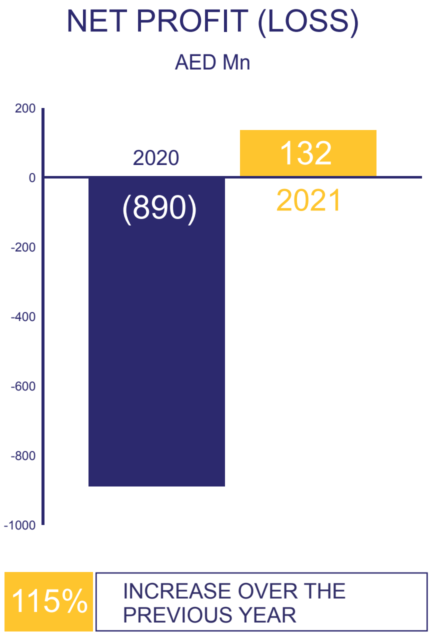
3% INCREASE OVER THE PREVIOUS YEAR

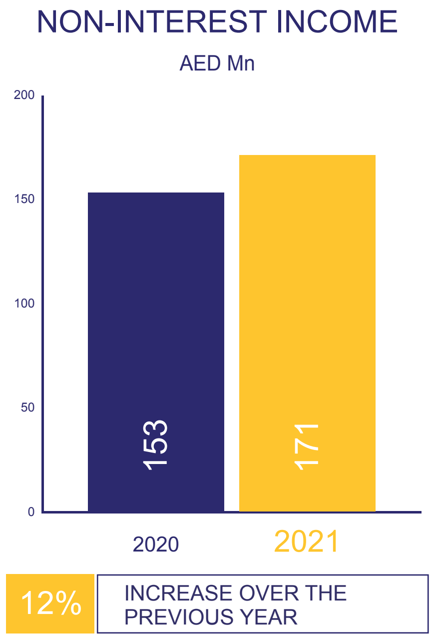
TOTAL ASSETS

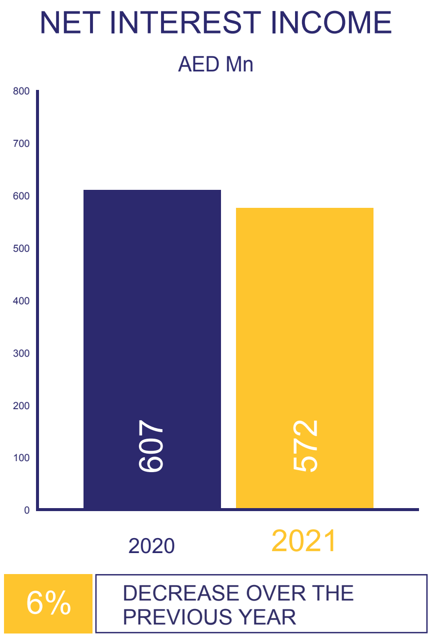
AED Mn

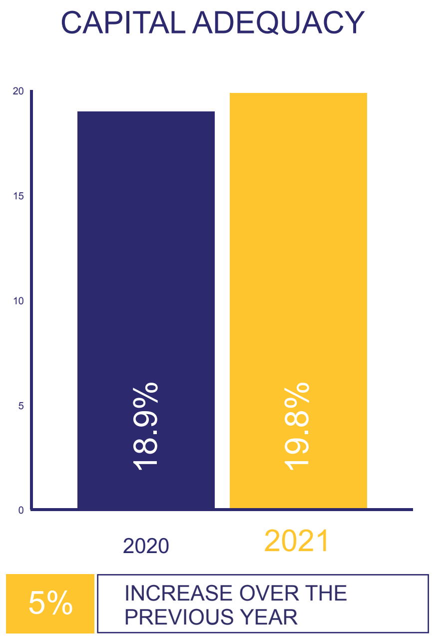


6% DECREASE OVER THE PREVIOUS YEAR


NET PROFIT (LOSS)
AED Mn
200
0
-200
-400
-600
-800
-1000
2020
(890)
132
2021
115%
INCREASE OVER THE PREVIOUS YEAR


NON-INTEREST INCOME
AED Mn
200
150
100
50
0
153
171
2020
2021
12%
INCREASE OVER THE PREVIOUS YEAR


NET INTEREST INCOME
AED Mn
800
700
600
500
400
300
200
100
0
607
572
2020
2021
6%
DECREASE OVER THE PREVIOUS YEAR


CAPITAL ADEQUACY
20
15
10
5
0
18.9%
19.8%
2020
2021
5%
INCREASE OVER THE PREVIOUS YEAR

FINANCIAL STATEMENTS

Contents **Page**

Respected Shareholders,

The Board is pleased to present its report together with the audited financial statements Arab Bank for Investment and Foreign Trade PJSC (the “Bank”) for the year ended 31 December 2021. The audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the independent auditors have issued an unqualified audit opinion.

FINANCIAL HIGHLIGHTS

As of 31 December 2021, the total assets stood at AED 22,548 million (2020: AED 23,982 million), a decrease of 6% driven mainly by a reduction in loans and advances, cash and balances with the Central Bank of UAE and due from banks.

The Bank reported a net profit of AED 132 million for the year 2021 against a net loss of AED 890 million in previous year.

LOANS AND ADVANCES

The loans and advances of AED 14,897 million as at 31 December 2021 were lower as compared to AED 15,671 million as at 31 December 2020 as the Bank continued to focus on asset quality and due to an increase in the impairment allowances in line with IFRS requirements.

FUNDING

Customers’ deposits increased slightly to AED 16,368 million as at 31 December 2021 from AED 16,227 million as at 31 December 2020 as the Bank reduced its inter-bank borrowings to AED 1,303 million from AED 3,418 million in the previous year, lower by 62%. During the year, the Bank fully repaid CBUAE Targeted Economic Support Scheme (TESS) borrowing of AED 661 million.

BALANCES WITH CENTRAL BANK & DUE FROM BANKS

The Bank's liquidity was well maintained, with headline loan to deposit ratio of 91.0% as at 31 December 2021 compared to 96.6% as at the prior year-end.

The balances with the Central Bank, which also includes the Statutory Reserves and Certificate of Deposits was at AED 1,433 million as at 31 December 2021 against AED 3,103 million in the previous year. The placements with banks was AED 1,572 million as at 31 December 2021 compared to AED 1,686 million as at 31 December 2020.

The Bank was in full compliance with the Central Bank of the UAE Regulatory norms on Liquidity at the end of the year.

INVESTMENTS

The Bank's financial investments consists predominantly of fixed income securities and a modest equities portfolio. These portfolios are being marked to market on a regular basis. The total value of the investment portfolio of the Bank amounted to AED 3,243 million as at 31 December 2021 compared to AED 2,450 million as at 31 December 2020. The increase was attributable to the investment in CBUAE M-Bills of AED 924 million which have replaced the erstwhile Certificate of Deposits which was part of Cash and balances with Central Bank of UAE balances as at 31 Dec 2020.

INVESTMENT PROPERTIES

In line with the Bank's policy, the investment properties were revalued during the year by an independent external valuation firm. During the year, the Bank reclassified a plot of land previously being classified as asset held for sale to the Investment Property portfolio which resulted in the increase of investment properties from AED 331 million as at 31 December 2020 to AED 378 million as at 31 December 2021.

CONTINGENT LIABILITIES

The Bank had a total outstanding in Documentary Credits and Letters of Guarantee of AED 4,706 million as at the end of the year, compared to AED 5,143 million in the preceding year.

SHAREHOLDERS EQUITY

The Shareholders equity increased to AED 3,790 million as at the end of the year, compared to AED 3,666 million in the preceding year, an increase of AED 124 million.

Pricewater house Coopers (Abu Dhabi Branch), License no. 1001301
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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

Independent auditor's report to the shareholders of Arab Bank for Investment and Foreign Trade PJSC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arab Bank for Investment and Foreign Trade PJSC (the "Bank") as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Information

The directors are responsible for the other information. The other information comprises the annual report of the Bank (but does not include the financial statements and our auditor's report thereon). We obtained the Directors' report to the shareholders prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Other Information (continued)

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining information of the annual report of the Bank, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, as amended, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended;

iii) the Bank has maintained proper books of account;

iv) the financial information included in the Directors' report to the shareholders is consistent with the books of account of the Bank;

v) note 33 to the financial statements discloses material related party transactions, and the terms under which they were conducted;

vi) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Bank has contravened during the year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, or it's Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and

vii) note 38 to the financial statements discloses the social contributions made during the financial year ended 31 December 2021.

Further, as required by the Article 114 of the Decretal Federal Law No. (14) of 2018, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
2 March 2022

Signed by
Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

Statement of Financial Position
as at 31 December

	Note	2021 AED'000	2020 AED'000
Assets			
Cash and balances with the Central Bank of the UAE	7	1,433,471	3,102,884
Due from banks	8	1,571,654	1,686,180
Investments at fair value through other comprehensive income (FVOCI)	9	2,280,300	2,406,828
Investments at fair value through profit or loss (FVTPL)	10	17,577	11,021
Investments at amortised cost	11	945,521	31,905
Loans and advances	12	14,897,420	15,671,535
Investment properties	13	377,768	330,776
Other assets	14	751,550	409,248
Property and equipment	15	273,609	282,011
		22,548,870	23,932,388
Asset held-for-sale	16	-	49,690
Total assets		22,548,870	23,982,078
Liabilities			
Customers' deposits	17	16,368,132	16,226,696
Due to banks	18	1,303,062	3,418,217
Other liabilities	19	1,088,119	671,085
Total liabilities		18,759,313	20,315,998
Equity			
Share capital	20	1,500,000	1,500,000
Statutory reserve	20	655,965	642,722
Special reserve	20	651,375	638,132
General reserve	20	380,000	380,000
Revaluation reserve	20	122,902	129,613
Fair value reserve	20	98,313	98,430
Retained earnings		381,002	277,183
Total equity		3,789,557	3,666,080
Total liabilities and equity		22,548,870	23,982,078

These financial statements were authorized and approved for issue by the Board of Directors on 28 February 2022, and signed on their behalf by:

Mr. Farhat Omar Ben Gdara
Chairman

Charles Doghlass
Acting Chief Executive Officer

The notes on pages 38 to 113 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 31 to 33.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

Statement of Comprehensive Income
for the year ended 31 December

	Note	2021 AED'000	2020 AED'000
Interest income	21	614,819	758,644
Interest expense	22	(118,926)	(218,898)
Net interest income		495,893	539,746
Income from Islamic financing contracts	23	94,806	100,815
Depositors' share of profit	24	(19,013)	(33,875)
Net income from Islamic financing		75,793	66,940
Net interest and Islamic financing income		571,686	606,686
Fee and commission income	25	126,671	110,271
Fee and commission expense	25	(11,654)	(7,953)
Net fee and commission income		115,017	102,318
Dividend income		4,777	6,047
Net investment income		2,957	681
Net foreign exchange gain	26	24,770	27,006
Other operating income	27	23,923	17,426
Net other operating income		56,427	51,160
Operating income		743,130	760,164
General, administration and other operating expenses	28	(252,188)	(272,548)
Profit before net impairment charge		490,942	487,616
Net impairment charge on financial assets	29	(370,756)	(1,300,711)
Change in fair value of investments at FVTPL		6,556	(29,425)
Net impairment reversal / (charge) on properties	30	5,689	(31,069)
Fair value loss on properties	30	-	(16,233)
Net profit / (loss) for the year		132,431	(889,822)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation (loss) / gain on property and equipment	15	(6,711)	71
Change in fair value of equity investments at FVOCI		33,427	(13,840)
Item that are or may be reclassified subsequently to profit or loss			
Change in fair value of debt investments at FVOCI		(33,923)	56,813
Other comprehensive (loss) / income for the year		(7,207)	43,044
Total comprehensive income / (loss) for the year attributable to shareholders		125,224	(846,778)
Basic and diluted earnings / (loss) per share	35	1.77	(11.86)

The notes on pages 38 to 113 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 31 to 33.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

Statement of changes in equity

for the year ended 31 December

	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 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
Loss for the year	-	-	-	-	-	-	(889,822)	(889,822)
Other comprehensive income	-	-	-	-	71	42,973	-	43,044
Total comprehensive income / (loss) for the year	-	-	-	-	71	42,973	(889,822)	(846,778)
Zakat	-	-	-	-	-	-	(1,871)	(1,871)
Balance at 31 December 2020	**1,500,000**	**642,722**	**638,132**	**380,000**	**129,613**	**98,430**	**277,183**	**3,666,080**
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 year	-	-	-	-	-	-	132,431	132,431
Other comprehensive loss	-	-	-	-	(6,711)	(496)	-	(7,207)
Transfer to statutory reserve and special reserve (Note 20)	-	13,243	13,243	-	-	-	(26,486)	-
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	379	(379)	-
Total comprehensive loss for the year	-	13,243	13,243	-	(6,711)	(117)	105,566	125,224
Zakat	-	-	-	-	-	-	(1,747)	(1,747)
Balance at 31 December 2021	**1,500,000**	**655,965**	**651,375**	**380,000**	**122,902**	**98,313**	**381,002**	**3,789,557**

The notes on pages 38 to 113 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 31 to 33.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

Statement of cash flows

for the year ended 31 December

	Note	2021 AED'000	2020 AED'000
Operating activities			
Profit / (loss) for the year		**132,431**	(889,822)
Adjustments for:			
Depreciation on investment properties	*13*	**10,662**	10,691
Depreciation on property and equipment	*15*	**23,010**	22,571
Net impairment charge on financial assets	*29*	**370,756**	1,300,711
Amortization of premium on bonds		**14,283**	16,057
Change in fair value of investments at FVTPL		**(6,556)**	29,425
Impairment (reversal) / charge on properties	*30*	**(5,689)**	31,069
Fair value loss on properties	*30*	**-**	16,233
Dividend income		**(4,777)**	(6,047)
Provision for employees' end of service benefits	*19*	**9,123**	8,570
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**543,243**	539,458
Payment of employees' end of service benefits	*19*	**(8,483)**	(7,349)
Changes in:			
Loans and advances		**370,020**	(1,277,082)
Due from banks		**154,259**	18,368
Other assets		**(344,580)**	104,409
Customers' deposits		**141,436**	491,086
Due to banks		**(2,115,155)**	834,137
Other liabilities		**454,587**	(60,160)
Cash reserve with Central Bank of the UAE	*7*	**239,020**	(52,551)
Net cash (used in) / generated from operating activities		**(565,653)**	590,316
Investing activities			
Purchases of property and equipment	*15*	**(22,249)**	(17,256)
Proceeds from sale of property and equipment	*15*	**930**	-
Proceeds from sale of asset held for sale		**-**	60,996
Proceeds from sale/redemption of investments at FVOCI	*9*	**376,118**	292,004
Proceeds from redemption of investments at amortized cost	*11*	**4,521**	4,526
Purchases of investments at FVOCI	*9*	**(263,264)**	(762,816)
Purchases of investments at amortized cost	*11*	**(924,133)**	-
Dividends received		**4,777**	6,047
Net cash used in investing activities		**(823,300)**	(416,499)
Financing activities			
Payment of lease liabilities		**(6,701)**	(6,206)
Net cash used in financing activities		**(6,701)**	(6,206)
Net (decrease) / increase in cash and cash equivalents		**(1,395,654)**	167,611
Cash and cash equivalents at 1 January		**3,816,875**	3,649,264
Cash and cash equivalents at 31 December	*31*	**2,421,221**	3,816,875

The notes on pages 38 to 113 form an integral part of these financial statements.
The independent auditor's report on these financial statements is set out on pages 31 to 33.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

1. Legal status and principal activities

Arab Bank for Investment and Foreign Trade PJSC (the "Bank") was incorporated in 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 seven 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 Bank is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015, as amended.

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 Bank has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

2. Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with the applicable requirements of the UAE Federal Law No. 2 of 2015, as amended.

(b) Basis of measurement

These financial statements have been prepared on the historical cost convention except for the following:

- financial assets at amortised cost which are measured using the effective interest method;
- investments at FVTPL which are measured at fair value;
- investments at FVOCI which are measured at fair value; and
- freehold land and buildings classified as property and equipment which are measured based on the revaluation model.

(c) Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirham ("AED"), which is the currency of the primary economic environment in which the Bank operates (the 'functional currency'). Except as indicated, information presented in AED has been rounded to the nearest thousand.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

2. Basis of preparation *(continued)*

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 6 to the financial statements.

3. Significant accounting policies

(a) Financial assets and liabilities

(i) Recognition and initial measurement

All financial assets are recognised and derecognised on a settlement date basis (other than derivative contracts which are recognised and derecognised on a trade date basis) where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Settlement date is the date that the Bank physically receives or transfers the assets. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

(ii) Classification of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL. A financial asset is measured at amortized cost if it meets both the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments at amortized cost.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(ii) Classification of financial assets and financial liabilities

Business model assessment

The Bank performs an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Bank's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about the future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money - e.g. periodical reset of interest rate.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(iii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

(iv) De-recognition

Financial asset

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liability

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place. This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees receivable as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(vi) Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets

Category	Subsequent measurement
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses are recognized in statement of comprehensive income. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss. The allowance for impairment on debt instruments designated at FVOCI is recognized in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss on de-recognition.

(vii) Offsetting

As per IAS 32, financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a Bank of similar transactions.

(viii) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment for financial assets.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(ix) Fair value measurement

Fair value is the price 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. The fair value of a liability reflects its non-performance risk.

When applicable, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

If an asset or a liability measured at fair value has a bid price and an ask price, the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The Bank recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

(x) Impairment of financial assets

The Bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets at amortised cost;
- Loan commitments issued; and
- Financial guarantee contracts issued.

No impairment loss is recognised on equity investments as these are measured at fair value.

The Expected Credit Loss (ECL) model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. Expected credit losses reflect the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(x) Impairment of financial assets *(continued)*

- Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded.

- Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded.

- Under Stage 3, where there is objective evidence of impairment at the reporting date, these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

Measurement of ECL

IFRS 9 considers the calculation of ECL by multiplying the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank has developed methodologies and models taking into account the relative size, quality and complexity of the portfolios.

Details of these statistical parameters/inputs are as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon;

- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date; and

- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

Macroeconomic factors, forward looking information and multiple scenarios

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are required to be incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(a) Financial assets and liabilities *(continued)*

(x) Impairment of financial assets *(continued)*

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt securities carried at FVOCI are credit-impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Experienced credit judgment

The Bank's ECL allowance methodology requires the use of experienced credit judgment to incorporate the estimated impact of factors not captured in the modelled ECL results, in all reporting periods.

Default definition followed by the Bank for impairment assessment remains in line with the guidelines of IFRS 9, and consistent with regulatory requirements. The policy on the write-off of financing transactions remains unchanged.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Bank has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

Expected life

When measuring expected credit loss, the Bank considers the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options.

Central Bank of UAE ("CBUAE") provision requirements

As per the CBUAE notice no. CBUAE/BSD/2018/458 dated 30 April 2018, if the specific provision and general/collective provision cumulatively is higher than the impairment allowance computed under IFRS 9, the differential should be transferred to an "Impairment Reserve" as an appropriation from the Retained earnings. This Impairment Reserve should be split to that which relates to difference in specific provision and general/collective provision. The Impairment reserve will not be available for payment of dividend.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(b) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, unrestricted balances held with central banks and due from banks with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) Due from banks

Amounts due from banks are stated at amortised cost, less allowance for impairment, if any.

(d) Investments measured at fair value through other comprehensive income (“FVOCI”)

For debt securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- Interest revenue using the effective interest method
- ECL and reversals, and
- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss.

Gains and losses on equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an equity investment

(e) Investments at fair value through profit or loss

These are securities that the Bank acquire principally for the purpose of selling in the near term or holding as a part of portfolio that is managed together for short-term profit or position taking. These assets are initially recognised and subsequently measured at fair value in the statement of financial position. All changes in fair values are recognised as part of profit or loss.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(f) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Bank does not intend to sell immediately or in the near term.

Loans and advances' captions in the statement of financial position include:

- Loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Loans and advances mandatorily measured at FVTPL or designated at FVTPL, these are measured at fair value with changes recognized immediately in the profit or loss account; and
- Lease receivables

When the bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan and advance, and the underlying asset is not recognised in the Bank's financial statements.

(g) Islamic financing activities

i) Murabahah "the purchase orderer"

It is the sale of a commodity by an institution to its customer (the purchase orderer) as per the purchasing price/cost with a defined and agreed profit mark-up (as set out in the promise/Wa'd), in which case it is called a banking Murabahah. The banking Murabahah involves deferred payment terms, but such deferred payment is not one of the essential conditions of such transaction, as there is also a Murabahah arranged with no deferral of payment. In this case, the seller only receives a mark-up that only includes the profit for a spot sale and not the extra charge it would, otherwise, receive for deferral of payment.

ii) Ijarah Muntahia Bittamleek & Forward Ijarah

An agreement whereby the Bank (the "Lessor") leases an asset to its customer (the "Lessee") (after purchasing / acquiring the specified asset, either from a third party seller or from the customer itself, according to the customer's request and based on his promise to lease), against certain rental payments for specific lease term / periods, payable on fixed or variable rental basis. The rental is made obligatory by the contract and the lessor's entitlement to the rental runs from the time when the lessee starts to benefit from the asset or once the lessor transfers the right to use the asset to the lessee, and the entitlement to the rental does not necessarily commence on the date of signing the Ijarah contract.

This leasing contract which includes a promise by the lessor to transfer the ownership in the leased property to the lessee, either at the end of the term of the Ijarah period or by stages during the term of the contract, upon fulfillment of all the obligations by the Lessee under the Ijarah agreement the Lessor will sell the leased asset to the Lessee at a nominal value based on a sale undertaking given by the Lessor.

An Ijarah contract may be executed for an asset undertaken by the lessor to be delivered to the lessee according to accurate specifications, even if the asset so described is not owned by the lessor. In this case, an agreement is reached to make the described asset available during the duration of the contract, giving the lessor the opportunity to acquire or to produce it.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(g) Islamic financing activities *(continued)*

iii) Wakala Investment

Wakala is a contract between the customer, a fund provider (the "Muwakkil"), who provides a certain amount of money (the "Wakala Capital") to the Bank (the "Wakeel"), who invests the Wakala Capital in a Sharia'a compliant manner and according to the feasibility study/ investment plan. The Wakeel is entitled to a fixed fee (the "Wakala Fee") as a lump sum amount or a percentage of the Wakala Capital. The Wakeel may be granted any excess over and above a certain pre-agreed rate of return as a performance incentive. In principle, Wakala profit is distributed on declaration / distribution by the Wakeel. However, since the Wakala profit is always reliably estimated it is internally accounted for on a time-apportioned basis over the Wakala tenure based on the Wakala Capital outstanding. The agent acts in a fiduciary capacity in relation to the investment and therefore is not liable for any loss in cases other than willful misconduct, negligence, or breach of contract unless the breach happens to be advantageous to the principal. In situations where the agent is held liable for loss of capital, such liability is limited to the capital amount and the agent is not liable for loss of expected profit whether the capital was invested immediately or delayed or not invested at all.

iv) Mudaraba

Mudaraba is a contract between the Customer, a fund provider (the "Rab Al Mal"), who would provide a certain amount of funds (the "Mudaraba Capital") to the Bank (the "Mudarib"). Mudarib would then invest the Mudaraba Capital in a specific enterprise or activity deploying its experience and expertise for a specific pre-agreed share in the resultant profit, if any. The Rab Al Mal is not involved in the management of the Mudaraba activity (unrestricted Mudaraba).

No profit can be recognised or claimed unless the capital of the Mudarabah is maintained intact. Whenever a Mudarabah operation incurs losses, such losses stand to be compensated by the profits of future operations of the Mudarabah. The losses brought forward should be set against the future profits.

All in all, the distribution of profit depends on the final result of the operations at the time of liquidation of the Mudarabah contract. If losses are greater than profits at the time of liquidation, the balance (net loss) must be deducted from the capital. In this case, the Mudarib is a trustee and is not liable for the amount of this loss, unless there is negligence or misconduct on his part.

v) Monetization "DMCC Murabahah"

Monetization refers to the process where the Customer purchases a commodity for a deferred price determined through Murabahah (mark-up sale) from the Bank, and selling it to a third party for a spot price to obtain cash. It is one of the Shari'ah compliant financing solutions in collaboration with Dubai Multi-Commodities Centre, which provides the customer with the liquidity needed to meet its monetary requirements. The Monetization beneficiary is a customer when he purchases the commodity from the Bank and sells it to a third party to obtain liquidity in accordance to Shari'ah compliance.

vi) Customers' accounts and Wakala deposits from banks

Customers' accounts and Wakala deposits from banks are initially recognised at fair value less transaction costs and are subsequently measured at amortised cost.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are initially measured at cost. Subsequently, all items except for freehold land and buildings are measured at cost less accumulated depreciation. Freehold land and buildings, which are measured using the revaluation model, are carried at a revalued amount, being their fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses, if any. All other property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Capital projects-in-progress are initially recorded at cost, and upon completion are transferred to the appropriate category of property and equipment and thereafter depreciated.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(h) Property and equipment *(continued)*

(i) Recognition and measurement (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, any amounts included in other reserves in respect of those assets are transferred to retained earnings

(ii) Revaluation, depreciation methods and useful lives

Land and buildings are recognised at fair value based on annual valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. All other property, plant and equipment is recognised at historical cost less depreciation.

Land and any asset situated on the land - e.g. a building or specialised plant - are separate assets.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

Category	years
Freehold premises	30 years
Freehold improvements	10 years
Leasehold improvements	7 years
Furniture and equipment	4 years
Computer hardware and software	4 years
Core banking software	10 years
Motor vehicles	4 years

Depreciation on additions is to be charged from the date on which the assets are available for use and ceases on the date on which they are disposed-off.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(i) Leases

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. As the right-of-use asset and lease liability at the reporting date was not material, the Bank has presented them in the statement of financial position under property and equipment and other liabilities respectively.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee’s incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Each lease payment is allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank applies a single recognition and measurement approach for all leases, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

3 Significant accounting policies *(continued)*

(i) Leases (continued)

Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other operating income in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(k) Investment properties

(i) Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the supply of services or for administrative purposes. Investment properties are measured using the cost model which is cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment properties.

The estimated useful lives of buildings classified as investment properties for the current and comparative years are 30 years. Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

(l) Non-current asset held for sale

Non-current asset (or disposal group) classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

(m) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

(n) Impairment of non-financial assets

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or cash generating units. Goodwill arising from a business combination is allocated to cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination.

The 'recoverable amount' of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3 Significant accounting policies *(continued)*

(o) Customers' deposits and due to banks

Customers' deposits and due to banks are initially recognised at cost, being the fair value of the consideration received and subsequently measured at their amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on settlement.

(p) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Employee benefits

(i) Employees terminal benefits

UAE nationals employed by the Bank are registered in the scheme managed by the General Pension and Social Security Authority. Contributions to that scheme are charged as an expense. Staff terminal benefits for expatriate employees are accounted for on the basis of their accumulated service at the reporting date and in accordance with the Bank's internal regulations, which comply with the UAE Federal Labour Law.

(ii) Short term employee benefits

Short-term employee obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of a past service provided by the employee and the obligation can be estimated reliably.

(r) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to perform under the terms of the contract.

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 'Financial Instruments', and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 'Revenue from Contracts with Customers'.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

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3 Significant accounting policies *(continued)*

(s) Acceptances

Acceptances arise when the Bank is under an obligation to make payments against documents drawn under letters of credit. Acceptances specify the amount of money, the date and the person to which the payment is due. After acceptance, the instrument becomes an unconditional liability (time draft) of the Bank and is therefore recognised as a financial liability in the statement of financial position with a corresponding contractual right of reimbursement from the customer recognised as a financial asset.

(t) Collateral pending sale

Real estate and other collaterals that were acquired as the result of settlement of certain loans and advances are reported in "Other assets". The asset acquired is recorded at the lower of its fair value less costs to sell and the carrying amount of the loan (net of impairment allowance) at the date of exchange.

(u) Earnings per share

The Bank presents basic earnings per share (EPS) information for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

(v) Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

3 Significant accounting policies *(continued)*

(v) ***Interest income and expense*** *(continued)*

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(w) ***Profit distribution***

Profit distribution is the amount accrued as an expense on the funds accepted from banks and customers in the form of Wakala deposits and Mudaraba contracts and recognised as expenses in the statement of income. The amounts are calculated in accordance with agreed terms and conditions of the Wakala deposits and Sharia'a principles.

(x) ***Fee and commission income and expense***

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees earned for the provision of services over a period of time are accrued over that period. These fees include loan processing fees, investment management fees, placement fees and syndication fees. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fee and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(y) ***Dividend income***

Dividends are received from financial assets measured at FVTPL and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI. Dividends are presented as dividend income in statement of comprehensive income.

(z) ***Foreign currency***

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

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3 Significant accounting policies *(continued)*

(z) Foreign currency *(continued)*

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVTPL are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognised in other comprehensive income.

(aa) Fiduciary activities

Assets held in a fiduciary capacity are not treated as assets of the Bank as they are only held in trust where the Bank acts as a custodian on customers' behalf. The Bank has no liability or obligations towards the customer on these assets held in trust. Accordingly, these assets are not included in these financial statements.

(ab) Value Added Tax (“VAT”)

Expenses and assets are recognised net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other assets or other liabilities in the statement of financial position.

4 Application of new and revised IFRS

(a) New and amended standards adopted by the Bank

The Bank has applied the following amendments for the first time for its annual reporting period commencing 1 January 2021:

New standards and significant amendments to standards applicable to the Bank:	Effective for annual periods beginning on or after
COVID-19-related Rent Concessions – Amendments to IFRS 16 As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	1 January 2021

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4 Application of new and revised IFRS *(continued)*

(a) New and amended standards adopted by the Bank *(continued)*

New standards and significant amendments to standards applicable to the Bank:	Effective for annual periods beginning on or after
*The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	1 January 2021
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide the following reliefs: • When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement. • The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition. Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.	1 January 2021

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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4 Application of new and revised IFRS *(continued)*

New standards and interpretations not yet adopted

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 the management.

New and revised IFRSs	Effective for annual periods beginning on or after
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 - The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS - The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 - The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

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4 Application of new and revised IFRS *(continued)*

New standards and interpretations not yet adopted *(continued)*

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020: The following improvements were finalised in May 2020: • IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.	1 January 2022
Classification of Liabilities as Current or Non-current – Amendments to IAS 1 he 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 (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.	1 January 2023

The Bank is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

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5 Financial risk management

Overview

The Bank has exposure to the following risks from its business activities:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors (the "Board") has overall responsibility for the establishment and oversight of the Bank's Risk Management Framework. The Board has entrusted a number of managers with the risk management function along with setting up and monitoring the Bank's credit, liquidity, operational and market risks, taking credit decisions above management's discretionary powers and setting market risk limits under which the Bank's management operates.

The Bank has further set up from within management, the Asset and Liability, ("ALCO") Credit and Risk Management committees, which are responsible for developing and monitoring the Bank's risk management policies in their specified areas.

The Bank has risk appetite / tolerance limits which is revised annually and monitored regularly.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits, implement controls, monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Bank Audit Committee oversees how management monitors compliance with the Bank's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Bank. The Bank Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Bank Audit Committee.

(a) Credit risk

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations; and arises principally from the Bank's loans and advances, due from banks, non-trading debt instruments and certain other assets.

Management of credit risk

The Bank's credit risk management framework includes:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to the Credit Committee, Board credit and investment committee or the Board of Directors as deemed appropriate.

- Reviewing and assessing all credit exposures of designated limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.

- Limiting concentrations of exposure to counterparties, segments, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for Investments designated at FVOCI).

- Developing and maintaining the Bank's risk grading in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk ratings system consist of 19 normal and 3 non performing categories. The responsibility for setting risk grades lies with the final approving executive / committee as appropriate. Risk grades are subject to regular reviews.

- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

The risk management team is responsible for the formulation of credit policies and processes in line with growth, risk management and strategic objectives.

In addition, the Bank manages the credit exposure by obtaining collateral where appropriate and limiting the duration of exposure.

Credit quality analysis

The table below provides the mapping of the Bank's internal credit risk grades.

Grouping	Rating Category
Low-fair risk	Grades 1 to 5-
Marginal Risk	Grade 6+ to 7+
Higher risk	Grade 7 and 7-
Substandard	Grade 8
Doubtful	Grade 9
Loss	Grade 10

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5 Financial risk management *(continued)*

(a) Credit risk (continued)

The following table sets out information about the credit quality of financial assets measured at amortised cost and FVOCI debt investments. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	31 December 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Due from banks	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Low-fair risk	1,573,035	-	-	1,573,035	529,696	1,162,183	-	1,691,879
Total gross carrying amount	1,573,035	-	-	1,573,035	529,696	1,162,183	-	1,691,879
Loss allowance	(1,381)	-	-	(1,381)	(2,438)	(3,261)	-	(5,699)
Carrying amount	1,571,654	-	-	1,571,654	527,258	1,158,922	-	1,686,180

	31 December 2021				31 December 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Low-fair risk	6,191,150	1,126,322	-	7,317,472	9,203,060	1,430,261	-	10,633,321
Marginal Risk	2,458,032	2,190,826	-	4,648,858	574,379	1,204,628	-	1,779,007
Higher risk	1,650	1,802,721	-	1,804,371	14,169	1,984,994	-	1,999,163
Grade 8: Substandard	-	-	859,786	859,786	-	-	1,508,779	1,508,779
Grade 9: Doubtful	-	-	2,049,050	2,049,050	-	-	1,924,154	1,924,154
Grade 10: Loss	-	-	993,097	993,097	-	-	82,040	82,040
Total gross carrying amount	8,650,832	5,119,869	3,901,933	17,672,634	9,791,608	4,619,883	3,514,973	17,926,464
Loss allowance	(121,663)	(371,658)	(1,945,755)	(2,439,076)	(130,250)	(448,332)	(1,451,351)	(2,029,933)
Interest in suspense	-	-	(322,155)	(322,155)	-	-	(206,145)	(206,145)
Deferred Profit	(13,983)	-	-	(13,983)	(18,851)	-	-	(18,851)
Carrying amount	8,515,186	4,748,211	1,634,023	14,897,420	9,642,507	4,171,551	1,857,477	15,671,535

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5 Financial risk management *(continued)*

(a) Credit risk (continued)

	31 December 2021				31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Debt Securities – FVOCI	**AED'000**	**AED'000**	**AED'000**	**AED'000**	AED'000	AED'000	AED'000	AED'000
Low-fair risk	**2,154,444**	**-**	**-**	**2,154,444**	2,150,920	154,425	-	2,305,345
Total gross carrying amount	**2,154,444**	**-**	**-**	**2,154,444**	2,150,920	154,425	-	2,305,345
Loss allowance	(21,370)	-	-	(21,370)	(13,177)	(3,563)	-	(16,740)
Carrying amount	**2,133,074**	**-**	**-**	**2,133,074**	2,137,743	150,862	-	2,288,605

	31 December 2021				31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	Stage 1	Stage 2	Stage 3	Total
Debt Securities – Amortised cost	**AED'000**	**AED'000**	**AED'000**	**AED'000**	AED'000	AED'000	AED'000	AED'000
Low-fair risk	**946,117**	**-**	**-**	**946,117**	32,238	-	-	32,238
Total gross carrying amount	**946,117**	**-**	**-**	**946,117**	32,238	-	-	32,238
Loss allowance	(596)	-	-	(596)	(333)	-	-	(333)
Carrying amount	**945,521**	**-**	**-**	**945,521**	31,905	-	-	31,905

Loans and advances to customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Security and Collaterals are bifurcated into following categories:

- Tangible: This includes Cash Margins, Fixed Deposits Under lien, Mortgages over immovable assets, pledges of Shares, Commercial Pledges over movable assets.
- Non-Tangible: Guarantees and all other collaterals not having any tangible worth/ value.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Loans and advances to customers *(continued)*

Collateralization of exposure is supported by proper documentation, charge (registered where required) etc. to ensure its enforceability/reliability.

The Bank has collateral valuation guidelines which details the principles and frequency of valuation of securities. The Bank monitors the market value of collateral and requests additional collateral in accordance with the underlying agreements. It also monitors the market value of collateral obtained during its review of the adequacy of the provision for credit losses.

When valuations are obtained from Banks' approved evaluators, the lowest value is taken thereafter for the purpose of collateral / LTV computation. Refreshed valuations are obtained for properties with more frequency in cases where there are difficulties and hence reliance on the security is increasingly high. Where the Bank accepts fixed assets e.g. property as collateral, these are adequately insured with the Bank as loss payee, where-ever applicable. If corporate guarantees are accepted, their tangible net worth are re-evaluated annually along with the annual review of facilities, where-ever applicable. All securities are held under the custody of an independent credit administration function.

At 31 December 2021, the net carrying amount of credit-impaired loans and advances to customers amounted to AED 1,634,023 thousand (2020: AED 1,857,477 thousand) and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to AED 1,639,229 thousand (2020: AED 1,914,180 thousand). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

For the retail portfolio, historical payment behavior of the exposure is evaluated to determine significant increase in credit risk.

In addition to the quantitative test based on movement of PD, the Bank also applies experienced credit judgement to incorporate the estimated impact of factors not captured in the modelled ECL results.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Credit risk grades

The Bank allocates each corporate exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each Borrower is assigned a credit risk grade on initial recognition based on available information about the borrower's financial information, securities provided to banks and other relevant qualitative information. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The monitoring typically involves use of the following information.

Corporate exposures	Retail exposures	All exposures
- Financial and non-financial information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes etc. - Data from credit reference agencies, press articles, changes in external credit ratings, market references. - Quoted bond and credit default swap (CDS) prices for the borrower where available. - Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.	- Internally collected data on customer behaviour – e.g. utilisation of credit card facilities - External data from credit reference agencies.	- Payment record – this includes overdue status as well as a range of variables about payment ratios. - Utilisation of the granted limit. - Requests for and granting of forbearance. - Existing and forecast changes in business, financial and economic conditions.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant differs for different types of lending, in particular between corporate and retail.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently.

When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower’s inability to pay its credit obligations.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of 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.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Incorporation of forward-looking information (continued)

The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring.

The Bank has applied the following Macro Economic Variables/Shocks for the Corporate portfolio in conditional IFRS 9 analysis with forecast scenarios:

- Equity (ADH Equity Index)
- Oil Price

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the Bank's accounting policies.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

The Bank renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. Under the Bank's Restructuring and Rescheduling policy, restructuring or rescheduling is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Modified financial assets (continued)

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. The Bank's Credit Committee and Remedial Management Committee regularly reviews reports with regards to restructured and rescheduled accounts.

For financial assets modified as part of the Bank's Restructuring and Rescheduling policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar restructuring and rescheduling action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, restructuring and rescheduling is a qualitative indicator of a significant increase in credit risk and an expectation of restructuring and rescheduling may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1 ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

LGD is the magnitude of the likely loss if there is a default. For loans secured by retail property, LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

Measurement of ECL *(continued)*

However, for retail overdrafts and credit card facilities that include both a loan and an undrawn commitment component, the Bank measures ECL over a period longer than the maximum contractual period if the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Bank's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Bank can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Bank becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Bank expects to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance for due from banks for the year ended 31 December 2021.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	2,438	3,261	-	5,699
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	831	(831)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	(1,888)	(2,430)	-	(4,318)
	1,381	-	-	1,381

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

Loss allowance (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance for due from banks for the year ended 31 December 2020.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	7,482	2,960	-	10,442
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	(5,044)	301	-	(4,743)
	2,438	3,261	-	5,699

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance for investments at FVOCI ended 31 December 2021

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	13,177	3,563	-	16,740
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	3,471	(3,471)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	4,722	(92)	-	4,630
	21,370	-	-	21,370

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) ***Credit risk*** *(continued)*

Loss allowance (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance for investments at FVOCI for the year ended 31 December 2020.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	3,426	1,804	-	5,230
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
Impact of change in provision	9,751	1,759	-	11,510
	13,177	3,563	-	16,740

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance for loans and advances for the year ended 31 December 2021.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	130,250	448,332	1,451,351	2,029,933
Transfers:				
Transfer from Stage 1 to Stage 2	(9,632)	9,632	-	-
Transfer from Stage 1 to Stage 3	(11,662)	-	11,662	-
Transfer from Stage 2 to Stage 1	113,661	(113,661)	-	-
Transfer from Stage 2 to Stage 3	-	(75,185)	75,185	-
Transfer from Stage 3 to Stage 2	-	157,993	(157,993)	-
Impact of change in provision	(100,954)	(55,453)	597,034	440,627
Recoveries	-	-	(27,829)	(27,829)
Write-offs	-	-	(3,655)	(3,655)
	121,663	371,658	1,945,755	2,439,076

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

Loss allowance (continued)

The following tables show reconciliations from the opening to the closing balance of the loss allowance for loans and advances for the year ended 31 December 2020.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	**126,038**	**329,105**	**509,077**	**964,220**
Transfers:				
Transfer from Stage 1 to Stage 2	(12,545)	12,545	-	-
Transfer from Stage 1 to Stage 3	(8,854)	-	8,854	-
Transfer from Stage 2 to Stage 1	20,049	(20,049)	-	-
Transfer from Stage 2 to Stage 3	-	(152,947)	152,947	-
Transfer from Stage 3 to Stage 2	-	28,951	(28,951)	-
Impact of change in provision	5,562	250,727	827,568	1,083,857
Recoveries	-	-	(16,732)	(16,732)
Write-offs	-	-	(1,412)	(1,412)
	130,250	**448,332**	**1,451,351**	**2,029,933**

The following table further explains the changes in the gross carrying amount of due from banks for the year ended 31 December 2021 to help explain their significance to the changes in the loss allowance:

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	**529,696**	**1,162,183**	**-**	**1,691,879**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	739,795	(739,795)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	303,544	(422,388)	-	(118,844)
	1,573,035	**-**	**-**	**1,573,035**

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

The following table further explains the changes in the gross carrying amount of due from banks for the year ended 31 December 2020 to help explain their significance to the changes in the loss allowance.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	**2,422,604**	**382,248**	**-**	**2,804,852**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	(1,892,908)	779,935	-	(1,112,973)
	529,696	**1,162,183**	**-**	**1,691,879**

The following table further explains the changes in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2021 to help explain their significance to the changes in the loss allowance:

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	**2,150,920**	**154,425**	**-**	**2,305,345**
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	88,093	(88,093)	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	(84,569)	(66,332)	-	(150,901)
	2,154,444	**-**	**-**	**2,154,444**

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) ***Credit risk*** *(continued)*

The following table further explains the changes in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2020 to help explain their significance to the changes in the loss allowance.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	1,683,821	108,413	-	1,792,234
Transfers:				
Transfer from Stage 1 to Stage 2	-	-	-	-
Transfer from Stage 1 to Stage 3	-	-	-	-
Transfer from Stage 2 to Stage 1	-	-	-	-
Transfer from Stage 2 to Stage 3	-	-	-	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	467,099	46,012	-	513,111
	2,150,920	154,425	-	2,305,345

The following table further explains the changes in the gross carrying amount of loans and advances for the year ended 31 December 2021 to help explain their significance to the changes in the loss allowance.

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	9,791,608	4,619,883	3,514,973	17,926,464
Transfers:				
Transfer from Stage 1 to Stage 2	(2,483,848)	2,483,848	-	-
Transfer from Stage 1 to Stage 3	(161,946)	-	161,946	-
Transfer from Stage 2 to Stage 1	1,070,921	(1,070,921)	-	-
Transfer from Stage 2 to Stage 3	-	(730,812)	730,812	-
Transfer from Stage 3 to Stage 2	-	529,460	(529,460)	-
New financial assets net of repayments/ adjustments	434,097	(711,589)	23,662	(253,830)
	8,650,832	5,119,869	3,901,933	17,672,634

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

The following table further explains the changes in the gross carrying amount of loans and advances for the year ended 31 December 2020 to help explain their significance to the changes in the loss allowance:

	Stage 1	Stage 2	Stage 3	Total
	AED'000	AED'000	AED'000	AED'000
Beginning of the period	**12,413,800**	**3,257,863**	**963,215**	**16,634,878**
Transfers:				
Transfer from Stage 1 to Stage 2	(2,381,820)	2,381,820	-	-
Transfer from Stage 1 to Stage 3	(1,056,457)	-	1,056,457	-
Transfer from Stage 2 to Stage 1	462,419	(462,419)	-	-
Transfer from Stage 2 to Stage 3	-	(1,370,756)	1,370,756	-
Transfer from Stage 3 to Stage 2	-	-	-	-
New financial assets net of repayments/ adjustments	353,666	813,375	124,545	1,291,586
	9,791,608	**4,619,883**	**3,514,973**	**17,926,464**

Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

Gross maximum exposure	2021	2020
	AED'000	AED'000
Balances with Central Bank of the UAE	**1,318,952**	3,021,568
Due from banks	**1,573,035**	1,691,879
Investments at FVOCI	**2,280,300**	2,406,828
Investments at FVTPL	**43,946**	43,946
Investments at amortised cost	**946,117**	32,238
Loans and advances	**17,672,634**	17,926,464
Other assets	**722,101**	383,636
Contingent liabilities	**4,705,829**	5,143,200
Commitments	**3,875,395**	5,022,247
	33,138,309	35,672,006

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured with material concessions due to deterioration in the borrower's financial position even if these accounts were under normal classification at the time of restructuring. Once a loan is restructured, it remains as a loan with renegotiated terms for a minimum period of twelve months, in order to establish satisfactory track record of performance under the restructuring agreement. Any case of payment holiday or any credit that show weaknesses in its conduct, will not be removed from said disclosure until a satisfactory track record is evidenced. The Bank determines the twelve months' period to commence from the date of signing of the agreement for restructuring.

Loans with renegotiated terms	2021	2020
	AED'000	AED'000
Gross carrying amount	1,941,530	1,520,017
Impaired loans	1,791,838	1,687,418
Allowance for impairment	(830,367)	(624,595)
Net loans with renegotiated terms	2,903,001	2,582,840

Collateral

Collateral is used to mitigate credit risk, as the secondary source of repayment in case the counterparty cannot meet its contractual repayment obligations. Credit policies and procedures set out the acceptable types of collateral, as well as a process by which additional instruments and / or asset types can be considered for approval.

As at 31 December 2021, the Bank held credit risk mitigants with an estimated value of AED 11,471,209 thousand (2020: AED 11,784,323 thousand) against receivables from loans and advances, Murabaha and Ijarah contracts and investments in the form of real estate collateral, other securities over assets, cash deposits and guarantees. The Bank accepts sovereign guarantees and guarantees from well reputed local or international banks, well established local or multinational large corporate and high net-worth private individuals. Collateral generally is not held against Placements with banks, and no such collateral was held at 31 December 2021 or 31 December 2020.

The table below stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio:

LTV ratio	2021	2020
	AED'000	AED'000
Less than 50%	304,675	207,974
51 – 70%	185,665	94,035
71 – 90%	102,269	210,026
	592,609	512,035

The Bank holds collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of the borrowing and generally updated periodically as per the Bank's policy.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

Collateral (continued)

An estimate of the fair value of collateral and other security enhancements held against loans and advances is shown below:

	2021 AED'000	2020 AED'000
Against individually impaired		
Properties	1,639,178	1,754,681
Equities	-	152,342
Others	51	7,157
	1,639,229	1,914,180
Against past due but not impaired		
Properties	1,663,095	2,161,169
Equities	245	2,138
Others	163,749	200,526
	1,827,089	2,363,833
Against neither past due nor impaired		
Properties	5,725,133	5,399,716
Equities	819,213	479,227
Others	1,460,545	1,627,367
	8,004,891	7,506,310
	11,471,209	11,784,323

Concentrations of credit risk

The Bank monitors concentrations of credit risk by industry sector and by geographic location. An analysis of concentrations of credit risk from loans and advances, due from banks and investments at FVOCI and amortised cost at the reporting date is shown below:

	2021 AED'000	2020 AED'000
Concentration by industry		
Real estate	4,695,779	3,599,842
Services	2,770,771	3,142,160
Financial institutions	2,287,632	1,251,835
Trading	2,195,727	2,654,861
Construction	1,603,140	1,954,194
Manufacturing	1,204,567	1,200,226
Individuals	1,107,514	1,596,030
Personal loans for business (HNI)	1,056,628	1,561,091
Transport	588,108	725,241
Mining and quarrying	-	110,121
Others	162,768	130,863
Gross loans and Islamic financing	17,672,634	17,926,464
Less: deferred profit	(13,983)	(18,851)
Less: interest suspended	(322,155)	(206,145)
Less: allowance for impairment	(2,439,076)	(2,029,933)
	14,897,420	15,671,535

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Concentrations of credit risk (continued)

	Due from banks	
	2021	2020
Concentration by sector:	**AED'000**	AED'000
Financial institutions	**1,573,035**	1,691,879
Less: allowance for impairment	**(1,381)**	(5,699)
Carrying amount	**1,571,654**	1,686,180

	Investment at FVOCI		Investment at amortised cost	
	2021	2020	**2021**	2020
Concentration by sector:	**AED'000**	AED'000	**AED'000**	AED'000
Public sector	**1,279,096**	1,444,313	**946,117**	32,238
Private sector	**73,875**	73,507	**-**	-
Financial institutions	**801,473**	787,525	**-**	-
	2,154,444	2,305,345	**946,117**	32,238
Less: allowance for impairment	**(21,370)**	(16,740)	**(596)**	(333)
Carrying amount	**2,133,074**	2,288,605	**945,521**	31,905

	Due from banks		Loans and advances	
	2021	2020	**2021**	2020
Concentration by location:	**AED'000**	AED'000	**AED'000**	AED'000
UAE	**261,511**	143,423	**14,713,997**	15,660,659
Europe	**243,642**	703,738	**-**	-
GCC	**852,014**	364,587	**-**	-
Arab world	**17,905**	143,200	**183,423**	10,876
North America	**196,197**	290,392	**-**	-
Asia	**385**	40,840	**-**	-
	1,571,654	1,686,180	**14,897,420**	15,671,535

	Investment at FVOCI		Investment at amortised cost	
	2021	2020	**2021**	2020
Concentration by location:	**AED'000**	AED'000	**AED'000**	AED'000
UAE	**1,745,438**	1,738,135	**945,521**	31,905
Europe	**-**	-	**-**	-
GCC	**387,636**	550,470	**-**	-
Arab world	**-**	-	**-**	-
North America	**-**	-	**-**	-
Asia	**-**	-	**-**	-
	2,133,074	2,288,605	**945,521**	31,905

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Concentrations of credit risk (continued)

Concentration by location for loans and advances, due from banks and investments at FVOCI, investment at FVTPL and investment at amortised cost is measured based on the residential status of the borrower.

As at 31 December 2021, twelve customers, (group wise exposures), comprised 26.49% of the total balance of loans and advances *(31 December 2020: 26.18%).*

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement / clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval / limit monitoring process described earlier.

Commitments and contingencies related credit risk

Credit risk arising from commitments and contingencies is disclosed in note 32 to the financial statements.

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 Q4 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 10.9 million at 31 December 2021.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(a) Credit risk (continued)

Forward looking information *(continued)*

The Bank segregated its customers benefitting from payment deferrals into two groups as required by Central Bank as follows:

Group 1 – customers not expected to face substantial changes in their creditworthiness, beyond liquidity issues, caused by the COVID-19 crisis; and

Group 2 – customers expected to be significantly impacted by the COVID-19 crises and are expected to face substantial deterioration in their creditworthiness triggering a migration to stage 2. In exceptional circumstances, stage 3 migration may have also been triggered where significant disruptions have threatened the long-term sustainability of the customers' business model causing the business to be permanently impaired.

Impact of COVID-19

The following tables contains a stage-wise classification of the deferred amount of principal outstanding and impairment allowance pertaining to the loans and advances of the customers who have been provided with deferment benefit :

Stage	Group	Payment deferrals AED'000	Exposure AED'000	Impairment Allowance AED'000
Stage 1	Group 1	107	482	1
	Group 2	-	-	-
		107	**482**	**1**
Stage 2	Group 1	1,299	6,493	13
	Group 2	972	2,899	173
		2,271	**9,392**	**186**
Total		**2,378**	**9,874**	**187**

The following tables contains a counterparty-wise and stage-wise bifurcation of the impairment allowances pertaining to the loans and advances of the customers who have been provided with deferment benefit:

	Non-credit impaired		Credit Impaired	
	Stage 1	Stage 2	Stage 3	Total
ECL allowance	AED'000	AED'000	AED'000	AED'000
Other corporates	1	-	-	1
SMEs	-	186	-	186
Total	**1**	**186**	**-**	**187**

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5 Financial risk management *(continued)*

(a) Credit risk *(continued)*

Impact of COVID-19 (continued)

The following tables contains the stage-wise migration of the deferred amount of principal outstanding and impairment allowance pertains to the loans and advances of the customers who have been provided with deferment benefit:

	Non-credit impaired				Credit Impaired			
	Stage 1		Stage 2		Stage 3		Total	
	Exposure	Impairment Allowance	Exposure	Impairment Allowance	Exposure	Impairment Allowance	Exposure	Impairment Allowance
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
As of 1 January 2021	10,054	14	4,860	658	-	-	14,914	672
Transfers from stage 1 to stage 2	(10,054)	(14)	10,054	14	-	-	-	-
Transfers from stage 2 to stage 1	1,017	4	(1,017)	(4)	-	-	-	-
Transfers from 1and 2 to stage 3	-	-	-	-	-	-	-	-
Other movements	(535)	(3)	(4,505)	(482)	-	-	(5,040)	(485)
As of 31 December 2021	**482**	**1**	**9,392**	**186**	**-**	**-**	**9,874**	**187**

The following tables contains the industry wise split of the deferred amount of principal outstanding and impairment allowance pertaining to the loans and advances of the customers who have been provided with deferment benefit:

	Payment deferrals	Exposure	Impairment Al-lowance
Concentration by industry	AED'000	AED'000	AED'000
Services	1,048	3,226	168
Trade	1,330	6,648	19
	2,378	**9,874**	**187**

(b) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Bank's Board of Directors sets the Bank's strategy for managing liquidity risk and delegates responsibility for oversight of the implementation of this policy to the Assets and Liability Committee ("ALCO"). The Board approves the Bank's liquidity policies and procedures. The treasury department manages the Bank's liquidity position on a day-to-day basis and reviews daily reports covering the liquidity position of the Bank. A summary report, including any exceptions and remedial action taken, is submitted regularly to the ALCO.

The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

Management has diversified funding sources and closely monitors liquidity to ensure adequate funding. The Bank maintains a portfolio of short-term liquid assets, largely made up of short-term liquid financial assets, CBUAE M-Bills and inter-bank placements to ensure that sufficient liquidity is maintained within the Bank as a whole.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(b) Liquidity risk *(continued)*

Management of liquidity risk (continued)

The Bank relies on deposits from customers and banks as its primary sources of funding. Deposits from customers and banks generally have shorter maturities and a proportion of them are repayable on demand. The short-term nature of these deposits increases the Bank's liquidity risk and the Bank actively manages this risk through maintaining compet-itive pricing and constant monitoring of market trends.

One of the critical means to measure adequacy of liquidity as per extant global regulation is through Liquidity Coverage Ratio ("LCR").The Bank has been internally reporting Ba-sel III LCR numbers for a considerable period of time, and has invested in ensuring a sys-tems and controls framework is in place to comply with all the qualitative and quantitative aspects of Basel III. In addition, the Bank also ensures that it is in compliance with UAE Central Bank liquidity regulation on Eligible Liquid Assets Ratio ("ELAR") at all times.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid as-sets, i.e. total assets by maturity against total liabilities by maturity. For this purpose, high quality liquid assets ("HQLA") includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market.

Details of the Bank's net liquid assets is summarised in the table below by the maturity profile of the Bank's assets and liabilities based on the contractual repayment arrangements and does not take account of the effective maturities as indicated by the Bank's deposit retention history. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidi-ty is maintained.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 **Financial risk management** *(continued)*

(b) ***Liquidity risk*** *(continued)*

Exposure to liquidity risk (continued)

The maturity profile of financial assets and liabilities at 31 December 2021 was as follows:

	Carrying Amount	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Unspecified maturity
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with the Central Bank of the UAE	1,433,471	1,433,471	-	-	-	-	-
Due from banks	1,571,654	1,556,962	14,692	-	-	-	-
Investments at FVOCI	2,280,300	129,205	185,701	627,247	416,661	774,261	147,225
Investment at FVTPL	17,577	-	-	-	-	-	17,577
Investment at amortised cost	945,521	360,279	563,258	-	-	21,984	-
Loans and advances	14,897,420	3,511,297	2,535,484	2,656,647	2,232,026	3,961,966	-
Other assets	722,101	516,154	205,195	402	350	-	-
Total assets	21,868,044	7,507,368	3,504,330	3,284,296	2,649,037	4,758,211	164,802
Liabilities							
Customers' deposits	16,368,132	12,022,990	3,513,714	831,428	-	-	-
Due to banks	1,303,062	458,272	844,790	-	-	-	-
Other liabilities	825,017	647,574	176,554	540	349	-	-
Total liabilities	18,496,211	13,128,836	4,535,058	831,968	349	-	-
Statement of financial position gap	3,371,833	(5,621,468)	(1,030,728)	2,452,328	2,648,688	4,758,211	164,802

The maturity profile of financial assets and liabilities at 31 December 2020 was as follows:

	Carrying Amount	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Unspecified maturity
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with the Central Bank of the UAE	3,102,884	2,621,884	481,000	-	-	-	-
Due from banks	1,686,180	1,523,352	162,828	-	-	-	-
Investments at FVOCI	2,406,828	103,185	203,769	487,072	672,361	822,218	118,223
Investment at FVTPL	11,021	-	-	-	-	-	11,021
Investment at amortised cost	31,905	-	-	-	-	31,905	-
Loans and advances	15,671,535	3,720,081	2,546,381	2,549,562	2,453,027	4,402,484	-
Other assets	383,636	190,686	26,183	4,710	37,925	124,132	-
Total assets	23,293,989	8,159,188	3,420,161	3,041,344	3,163,313	5,380,739	129,244
Liabilities							
Customers' deposits	16,226,696	13,297,560	1,861,069	1,052,864	15,203	-	-
Due to banks	3,418,217	1,736,264	1,681,953	-	-	-	-
Other liabilities	359,237	334,624	21,707	67	2,839	-	-
Total liabilities	20,004,150	15,368,448	3,564,729	1,052,931	18,042	-	-
Statement of financial position gap	3,289,839	(7,209,260)	(144,568)	1,988,413	3,145,271	5,380,739	129,244

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5 Financial risk management *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk

The Bank separates its exposure to market risks between trading and non-trading portfolios. Trading portfolios are mainly held by the Treasury department, and include positions arising from market making and proprietary position taking, together with financial assets and financial liabilities that are managed on a fair value basis.

The Board of Directors has set risk limits based on sensitivity analysis and notional limits which are closely monitored by the Risk Management Division, reported regularly to Senior Management and discussed by the ALCO/ Investment committee.

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Bank manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

A substantial portion of the Bank's assets and liabilities are re-priced within three months. Accordingly, there is limited exposure to interest rate risk.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating instrument or an instrument carried at fair value.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(c) ***Market risk*** *(continued)*

Interest rate risk (continued)

A summary of the Bank's interest rate gap position based on contractual re-pricing arrangements at 31 December 2021 is as follows:

	Carrying Amount	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
Assets	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash and balances with the Central Bank of the UAE	1,433,471	748,349	-	-	-	-	685,122
Due from banks	1,571,654	1,556,962	14,692	-	-	-	-
Investments at FVOCI	2,280,300	129,205	185,701	627,247	416,661	774,261	147,225
Investment at FVTPL	17,577	-	-	-	-	-	17,577
Investment at amortised cost	945,521	360,279	563,258	-	-	21,984	-
Loans and advances	14,897,420	11,235,355	2,033,483	321,294	378,232	929,056	-
Other assets	722,101	-	-	-	-	-	722,101
Total assets	**21,868,044**	**14,030,150**	**2,797,134**	**948,541**	**794,893**	**1,725,301**	**1,572,025**
Liabilities							
Customers' deposits	16,368,132	8,936,790	2,475,330	1,866	-	-	4,954,146
Due to banks	1,303,062	1,301,181	-	-	-	-	1,881
Other liabilities	825,017	-	-	-	-	-	825,017
Total liabilities	**18,496,211**	**10,237,971**	**2,475,330**	**1,866**	**-**	**-**	**5,781,044**
Statement of financial position gap	**3,371,833**	**3,792,179**	**321,804**	**946,675**	**794,893**	**1,725,301**	**(4,209,019)**

A summary of the Bank's interest rate gap position based on contractual re-pricing arrangements at 31 December 2020 is as follows:

	Carrying Amount	Up to 3 months	3 months to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Non-interest bearing
Assets	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cash and balances with the Central Bank of the UAE	3,102,884	1,730,269	481,000	-	-	-	891,615
Due from banks	1,686,180	1,523,352	162,828	-	-	-	-
Investments at FVOCI	2,406,828	103,185	203,769	487,072	672,361	822,218	118,223
Investment at FVTPL	11,021	-	-	-	-	-	11,021
Investment at amortised cost	31,905	-	-	-	-	31,905	-
Loans and advances	15,671,535	13,168,884	983,385	348,987	285,268	885,011	-
Other assets	383,636	-	-	-	-	-	383,636
Total assets	23,293,989	16,525,690	1,830,982	836,059	957,629	1,739,134	1,404,495
Liabilities							
Customers' deposits	16,226,696	9,920,433	1,861,069	1,130	60	-	4,444,004
Due to banks	3,418,217	2,837,561	580,053	-	-	-	603
Other liabilities	359,237	-	-	-	-	-	359,237
Total liabilities	20,004,150	12,757,994	2,441,122	1,130	60	-	4,803,844
Statement of financial position gap	3,289,839	3,767,696	(610,140)	834,929	957,569	1,739,134	(3,399,349)

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(c) Market risk (continued)

Interest rate risk (continued)

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Bank's financial assets and liabilities to various interest rate scenarios. The Bank assumes a fluctuation in interest rates of 75 basis points (2020: 75 basis points) and estimates the following impact on the profit for the year and equity at that date:

	2021 Profit for the year	2020 Profit for the year	2021 Equity	2020 Equity
	AED'000	AED'000	AED'000	AED'000
Fluctuation in yield	40,858	33,004	24,860	15,840

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 18,163 million interest bearing assets at year-end (2020: AED 19,601 million) and AED 12,715 million interest bearing liabilities at year-end (2020: AED 15,200 million). The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

The interest rate movements have an effect on retained earnings arising from increases or decreases in net interest income and the fair value changes reported in profit or loss.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Bank's functional currency is the UAE Dirham. As at 31 December 2021, the Bank had the following significant net exposures denominated in foreign currencies:

	Net spot position	Forward position	Net exposure 2021	Net exposure 2020
Currency	AED'000	AED'000	AED'000	AED'000
Euro	(20,486)	21,244	758	691
GBP	252	-	252	40
Libyan Dinar	3,234	-	3,234	15,958
Saudi Riyal	(3,776,055)	3,776,018	(37)	4,050
US Dollar	706,243	(3,800,049)	(3,093,806)	(1,999,134)

Exposure to other currencies and the effect of changes in exchange rates is insignificant.

Other market price risk

The effect on equity as a result of a change in the fair value of equity instruments due to a reasonably possible change in equity indices by 5%, with all other variables held constant as at 31 December 2021 is AED 7,361 thousand (2020: AED 5,911 thousand).

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage, to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Bank has established a framework of policies and procedures to identify, assess, control, manage and report risks.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is cost effective.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Internal Audit Department. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Bank.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(e) Capital management

The Bank's regulator, the Central Bank of the UAE, sets and monitors regulatory capital requirements.

The Bank's objectives when managing capital are:

- safeguarding the Bank's ability to continue as a going concern and increase the returns for the Shareholders; and
- complying with regulatory capital requirements set by the Central Bank of the UAE.

During 2021, the Bank's strategy, which was unchanged from 2020, was to:

- maintain capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel Accord guidelines; and
- allocate capital to various businesses in an efficient manner.

Capital adequacy and the use of regulatory capital are monitored on a regular basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the Central Bank of UAE. The required information is filed with the Central Bank of UAE on a quarterly basis.

The Central Bank of the UAE issued its circular No. 52/2018 dated 17 January 2018 informing all the Banks operating in the U.A.E. to implement the Standardized approach of Basel III from the date of the circular. For credit and market risk, the Central Bank has previously issued draft guideline for implementation of Standardised approach and Banks are expected to comply and report under pillar 2 – Internal Capital Adequacy Assessment Process (ICAAP) requirements since March 2010. For operational risk, the Central Bank has given Banks the option to use the Basic Indicators approach or the Standardised approach and the Bank has chosen to use the Basic Indicators approach.

The Bank has complied with all externally imposed capital requirements throughout the years presented.

The Bank seeks to optimise returns on capital and it has always been the objective to maintain a strong capital base to support business development and to meet regulatory capital requirements at all times.

As per Basel III requirement, capital should comprise of the following:

Tier 1 capital - Tier 1 capital, split into Common equity tier 1 (CET 1) which includes issued and paid-up share capital, retained earnings, statutory and legal reserves, accumulated other comprehensive income and Additional tier 1 (AT 1) comprising of instruments issued by banks which are eligible for inclusion in AT 1 and are not included in CET 1.

Tier 2 capital - Tier 2 capital includes general provisions (Collective allowance for impairment subject to a limit of 1.25% of Credit Risk Weighted Assets).

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(e) Capital management (continued)

Regulatory adjustment is applied in CET 1, AT 1 and Tier 2 capital consisting mainly of goodwill and other intangibles, deferred tax assets and cash flow hedge reserve. Additionally, threshold deduction is applied in case of exceeding the threshold limit specified by the Central Bank regulations for Basel III.

As per Central Bank regulation for Basel III, the capital requirements is 13% inclusive of capital conservation buffer.

The Bank must comply with following minimum requirement:

i.) CET1 must be at least 7% of risk weighted assets (RWA);

ii) Tier 1 capital must be at least 8.5% of risk weighted assets (RWA);

iii) Total capital, calculated as sum of Tier 1 capital and Tier 2 capital must be at least 10.5% of risk weighted assets (RWA);

Additionally, capital conservation buffer (“CCB”) is to be maintained at 2.5%.

CBUAE has issued a notice CBUAE\BSD\N\2020\1479 dated 18 March 2020, providing guidelines for Targeted Economic Support Scheme (TESS). The notice aims to contain the repercussions of COVID-19 pandemic in the UAE. TESS guidelines are immediately effective and will last for one year starting from 15 March 2020. CBUAE has extended the relief provided under TESS until 31 December 2021 vide notice CBUAE\BSD\N\2021\2087 dated 19 April 2021. Banks are allowed the following relief under the TESS:

(a) Banks can tap into their CCB up to a maximum of 60% and D-SIB buffer up to 100% without supervisory consequences.

(b) CBUAE allows banks to apply prudential filter to IFRS 9 expected loss provisions. The prudential filter aims to minimize the effect of IFRS 9 provisions on regulatory capital, in view of expected volatility due to the COVID-19 crisis.

Capital allocation

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular activities, it is not the sole basis used for decision making. Account is also taken of synergies with other activities, the availability of management and other resources, and the fit of the activity with the Bank’s longer-term strategic objectives. The Bank’s policies in respect of capital management and allocation are reviewed regularly by the Board of Directors as part of Internal Capital Adequacy assessment program (“ICAAP”).

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

5 Financial risk management *(continued)*

(e) ***Capital management*** *(continued)*

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

	2021	2020
Tier 1 capital	**AED'000**	AED'000
Share capital	**1,500,000**	1,500,000
Statutory reserve	**655,965**	642,722
Special reserve	**651,375**	638,132
General reserve	**380,000**	380,000
Fair value reserve	**44,241**	44,294
Retained earnings	**381,002**	277,183
IFRS transitional arrangement: Partial addback of ECL	**87,116**	181,705
Deduction from Capital	**(24,625)**	-
Eligible Tier 1 capital (a)	**3,675,074**	3,664,036
Tier 2 capital		
Eligible general provisions	**227,332**	238,222
Eligible Tier 2 capital (b)	**227,332**	238,222
Total capital base (a+b)	**3,902,406**	3,902,258
Risk weighted assets:		
Credit risk	**18,186,591**	19,057,734
Market risk	**24,358**	31,057
Operational risk	**1,489,674**	1,530,757
Total Risk Weighted Assets	**19,700,623**	20,619,548
CET 1 ratio	**18.7%**	17.8%
Tier 1 ratio	**18.7%**	17.8%
Capital adequacy ratio	**19.8%**	18.9%

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

6 Use of estimates and judgements

(a) Key sources of estimation uncertainty

(i) Allowances for credit losses

Impairment losses are evaluated as described in accounting policy 3(a)(x).

The Bank evaluates impairment on loans and advances and investments on an on-going basis and a comprehensive review is performed on a quarterly basis to assess whether an impairment charge should be recognised in the income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about the counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

(ii) Determining fair values

The determination of fair value for financial and non-financial assets and liabilities of which there is no observable market price requires the use of valuation techniques as described in note 3(a)(ix). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degree of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument (Note 6(b)(iii)).

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

6 Use of estimates and judgements *(continued)*

(b) Critical accounting judgements in applying the Bank's accounting policies *(continued)*

Critical accounting judgements made in applying the Bank's accounting policies include:

(i) Financial assets and liabilities classification

The Bank's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances, such as in classifying financial assets as at amortised cost, FVTPL or FVOCI as set out in note 3(a)(ii).

(ii) Contingent liability arising from litigations

Due to the nature of its operations, the Bank may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with assurance.

(iii) Valuation of financial instruments and other assets

The Bank's accounting policy on fair value measurements is discussed in note 3(a)(ix).

Fair value hierarchy:

Recurring and non-recurring fair value measurements

The Bank measures fair values 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.

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.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

6 Use of estimates and judgements *(continued)*

(b) Critical accounting judgements in applying the Bank's accounting policies (continued)

(iii) Valuation of financial instruments and other assets (continued)

Fair value hierarchy (continued)

Recurring and non-recurring fair value measurements (continued)

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.

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 categorised:

	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
At 31 December 2021				
Investments at FVOCI *(Note 9)*	**2,265,792**	**-**	**14,508**	**2,280,300**
Investment at FVTPL *(Note 10)*	**-**	**-**	**17,577**	**17,577**
Investment properties *(Note 13)*	**-**	**-**	**377,768**	**377,768**
Property and equipment *(Note 15)*	**-**	**-**	**175,807**	**175,807**
Property acquired in settlement of Debt *(Note 14)*	**-**	**-**	**6,910**	**6,910**
	2,265,792	-	**592,570**	**2,858,362**
At 31 December 2020				
Investments at FVOCI *(Note 9)*	2,388,287	-	18,541	**2,406,828**
Investment at FVTPL *(Note 10)*	-	-	11,021	**11,021**
Investment properties *(Note 13)*	-	-	330,776	**330,776**
Property and equipment *(Note 15)*	-	-	182,869	**182,869**
Property acquired in settlement of Debt *(Note 14)*	-	-	9,185	**9,185**
Asset held-for-sale *(Note 16)*	-	-	49,690	**49,690**
	2,388,287	-	602,082	**2,990,369**

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 year ended 31 December 2021 (Year ended 31 December 2020: 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.

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6 Use of estimates and judgements *(continued)*

(b) Critical accounting judgements in applying the Bank's accounting policies *(continued)*

(iii) Valuation of financial instruments and other assets (continued)

Fair value hierarchy (continued)

Fair value measurements recognised in the statement of financial position (continued)

Level 3 reconciliation

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Investments at FVOCI	Investments at FVTPL	Investment properties	Property & equipment	Property acquired in settlement of debt	Asset held for sale	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2021	18,541	11,021	330,776	182,869	9,185	49,690	**602,082**
Changes in fair value	(4,033)	6,556	-	(6,711)	-	-	**(4,188)**
Transfers	-	-	49,690	-	-	(49,690)	**-**
Depreciation	-	-	(10,662)	(351)			**(11,013)**
Net reversal / (impairment) charge	-	-	7,964	-	(2,275)	-	**5,689**
At 31 December 2021	**14,508**	**17,577**	**377,768**	**175,807**	**6,910**	-	**592,570**

	Investments at FVOCI	Investments at FVTPL	Investment properties	Property & equipment	Property acquired in settlement of debt	Asset held for sale	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At 1 January 2020	15,381	40,446	366,621	189,500	15,100	120,568	747,616
Changes in fair value	3,160	(29,425)	-	(6,282)	-	(9,882)	(42,429)
Disposals	-	-	-	-	-	(60,996)	(60,996)
Depreciation	-	-	(10,691)	(349)	-	-	(11,040)
Net impairment charge	-	-	(25,154)	-	(5,915)	-	(31,069)
At 31 December 2020	18,541	11,021	330,776	182,869	9,185	49,690	602,082

Accounting classifications and fair values

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 value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Bank is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

The fair values of due from banks, customers' deposits and due to banks that are predominantly short-term in tenure and issued at market rates are considered to reasonably approximate their book value.

The Bank estimates that the fair value of its loans and advances portfolio is not materially different from its book value since the majority of loans and advances carry floating market rates of interest and are frequently re-priced. For loans considered impaired, expected cash flows, including anticipated realisation of collateral, were discounted using an appropriate rate and considering the time of collection, the net result of which is not materially different from the carrying value.

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7 Cash and balances with the Central Bank of the UAE

	2021 AED'000	2020 AED'000
Cash in hand	**114,524**	81,997
Balances with the Central Bank of the UAE	**748,354**	2,211,950
Cash reserve with Central Bank of the UAE	**570,598**	809,618
Gross balance	**1,433,476**	3,103,565
Allowance for expected credit losses	**(5)**	(681)
	1,433,471	3,102,884

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

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

	2021 AED'000	2020 AED'000
Opening balance	**681**	-
Impairment (reversal) / charge for the year, net	**(676)**	681
	5	681

8 Due from banks

	2021 AED'000	2020 AED'000
Current, call and nostro balances	**477,429**	1,064,628
Fixed deposits	**1,095,606**	458,300
Loan syndication	**-**	168,951
Gross balance	**1,573,035**	1,691,879
Allowance for expected credit losses	**(1,381)**	(5,699)
Net balance	**1,571,654**	1,686,180
By location:		
Within the UAE	**265,844**	113,161
Outside the UAE	**1,305,810**	1,573,019
	1,571,654	1,686,180

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

	2021 AED'000	2020 AED'000
Opening balance	**5,699**	10,442
Impairment (reversal) / charge for the year, net	**(4,318)**	3,687
Transfer to other liabilities	**-**	(8,430)
	1,381	5,699

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

9 Investment at fair value through other comprehensive income (FVOCI)

	2021 AED'000	2020 AED'000
Investment in quoted debt securities (UAE)	1,638,242	1,738,135
Investment in quoted debt securities (outside UAE/ others)	494,832	550,470
Total debt securities at FVOCI	2,133,074	2,288,605
Investment in quoted equity securities (UAE)	130,303	96,997
Investment in unquoted equity securities (outside UAE)	13,234	17,864
Investment in quoted equity securities (outside UAE)	2,415	2,685
Investment in unquoted equity securities (UAE)	1,080	467
Investment in overseas funds	194	210
Total equities at FVOCI	147,226	118,223
Total investments at FVOCI	2,280,300	2,406,828

The above investments at FVOCI are denominated in UAE Dirhams and US Dollar. Unquoted securities are measured at fair value based on the investee company's net asset value as of the year end.

Movements during the year in investment designated at FVOCI were as follows:

	2021 AED'000	2020 AED'000
Fair value at 1 January	2,406,828	1,919,048
Purchases during the year	263,264	762,816
Sales / redemptions during the year	(376,118)	(292,004)
Change in fair value	(116)	43,238
Impairment charge for the year	(4,630)	(11,510)
Amortisation of premium on debt securities	(8,607)	(14,778)
Translation gain	58	18
Transfer of loss on disposal of equity investments at FVOCI to retained earnings	(379)	-
Fair value at 31 December	2,280,300	2,406,828

As at 31 December 2021, the allowance for impairment on debt instruments designated at FVOCI amounting to AED 21,370 thousand (2020: AED 16,740 thousand) is included in revaluation reserve of investments carried at FVOCI and recognised in other comprehensive income.

10 Investment at fair value through profit or loss (FVTPL)

	2021 AED'000	2020 AED'000
Opening Balance	11,021	40,446
Change in fair value	6,556	(29,425)
	17,577	11,021

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

11 Investment at amortised cost

	2021 AED'000	2020 AED'000
Investment in quoted debt security (UAE)	21,984	32,238
Investment in Monetary bills issued by the CBUAE	924,133	-
Allowance for expected credit losses	(596)	(333)
	945,521	31,905

	2021 AED'000	2020 AED'000
As at 1 January	31,905	38,143
Purchase of Investment at amortised cost	924,133	-
Sale / redemption of Investment at amortised cost	(4,521)	(4,526)
Amortisation of premium on debt securities	(5,996)	(1,712)
	945,521	31,905

12 Loans and advances

	2021 AED'000	2020 AED'000
Loans and advances	15,619,760	15,573,220
Islamic financing	2,052,874	2,353,244
Gross loans and Islamic financing	17,672,634	17,926,464
Deferred profit	(13,983)	(18,851)
Interest suspended	(322,155)	(206,145)
Allowance for expected credit losses	(2,439,076)	(2,029,933)
Net loans and advances	14,897,420	15,671,535

Islamic finance breakdown

	2021 AED'000	2020 AED'000
By type :		
Ijarah	1,175,279	1,126,180
Murabaha	877,595	1,227,064
Gross Islamic financing	2,052,874	2,353,244
Deferred profit	(13,983)	(18,851)
Profit in suspense	(9,039)	(6,882)
Allowance for expected credit losses	(98,962)	(74,210)
Net Islamic Financing	1,930,890	2,253,301

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

12 Loans and advances *(continued)*

The maturities of minimum Ijara payments

	2021 AED'000	2020 AED'000
Less than one year	188,229	175,854
Between one year and five years	626,337	604,151
More than five years	360,713	346,175
Gross Ijara financing	1,175,279	1,126,180

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

	2021 AED'000	2020 AED'000
Corporate segment	16,654,247	16,898,971
Consumer segment	1,018,387	1,027,493
Gross loans and Islamic financing	17,672,634	17,926,464

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

	2021 AED'000	2020 AED'000
Opening balance	2,029,933	964,220
Charge for the year	440,627	1,180,514
Recoveries	(27,829)	(16,732)
Net charge during the year	412,798	1,163,782
Net amounts written off	(3,655)	(1,412)
Transfer to other liabilities	-	(96,657)
	2,439,076	2,029,933

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

13 Investment Properties

	Freehold land and building AED'000
Cost	
At 1 January 2020 and 31 December 2020	731,655
Transfer from asset held-for-sale (note 16)	101,956
At 31 December 2021	**833,611**
Accumulated depreciation	
At 1 January 2020	103,728
Charges for the year	10,691
At 31 December 2020	114,419
Charge for the year	10,662
At 31 December 2021	**125,081**
Net carrying amount	
At 31 December 2021	708,530
Less: allowance for impairment	(330,762)
	377,768
At 31 December 2020	617,236
Less: allowance for impairment	(286,460)
	330,776

Towards the end of 2021, the Bank carried out a valuation exercise of the investment properties and investment properties under development through qualified, independent external valuators. The valuation methodologies used by the external valuators 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% (2020: 4 to 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.

All investment properties of the Bank are located in the United Arab Emirates.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

13 Investment Properties *(continued)*

Details of rental income and direct operating expenses relating to investment properties are as follows:

	2021 AED'000	2020 AED'000
Rental income	**24,577**	27,176
Direct operating expenses	**(11,488)**	(9,785)
	13,089	17,391

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

	2021 AED'000	2020 AED'000
At 1 January	**286,460**	261,306
Net (reversal) / charge for the year (note 30)	**(7,964)**	25,154
Transfer from asset held-for-sale (note 16)	**52,266**	-
At 31 December	**330,762**	286,460

14 Other assets

	2021 AED'000	2020 AED'000
Acceptances	**578,753**	165,029
Interest receivable	**133,802**	210,186
Sundry debtors and other assets	**32,085**	24,848
Property acquired in settlement of debt, net	**6,910**	9,185
	751,550	409,248

During the year, the Bank carried out a valuation exercise of the properties acquired in settlement of debt through a qualified, independent external valuator. The external valuator has used the Direct Comparable method valuation methodology. This resulted in a charge for the year amounting to AED 2,275 thousand (2020: AED 5,915 thousand).

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15 Property and equipment

	Freehold land and Building AED'000	Furniture equipment & vehicles AED'000	Capital work in-progress AED'000	Right of Use Assets AED'000	Total AED'000
Cost					
At 1 January 2020	369,751	174,238	7,931	21,340	573,260
Additions	-	-	17,256	-	17,256
Additions of right of use assets	-	-	-	3,085	3,085
Transfers	-	13,054	(13,054)	-	-
Disposals	-	(250)	-	-	(250)
Loss on revaluation	(6,282)	-	-	-	(6,282)
At 31 December 2020	363,469	187,042	12,133	24,425	587,069
At 1 January 2021	**363,469**	**187,042**	**12,133**	24,425	587,069
Additions	-	-	22,249	-	22,249
Transfers	-	8,081	(8,081)	-	-
Disposals	-	(1,041)	-	(127)	(1,168)
Loss on revaluation	(6,711)	-	-	-	(6,711)
At 31 December 2021	**356,758**	**194,082**	**26,301**	**24,298**	**601,439**

	Freehold land Buildings AED'000	Furniture equipment & vehicles AED'000	Capital work in-progress AED'000	Right of Use Assets AED'000	Total AED'000
Accumulated depreciation					
At 1 January 2020	180,251	96,260	-	6,226	282,737
Charge for the year	349	15,691	-	-	16,040
Right of use Assets	-	-	-	6,531	6,531
Disposals	-	(250)	-	-	(250)
At 31 December 2020	180,600	111,701	-	12,757	305,058
At 1 January 2021	**180,600**	**111,701**	-	**12,757**	**305,058**
Charge for the year	351	16,280	-	-	16,631
Right of use Assets	-	-	-	6,379	6,379
Disposals	-	(238)	-	-	(238)
At 31 December 2021	**180,951**	**127,743**	-	**19,136**	**327,830**
Net carrying amount					
At 31 December 2021	**175,807**	**66,339**	**26,301**	**5,162**	**273,609**
At 31 December 2020	182,869	75,341	12,133	11,668	282,011

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

15 Property and equipment *(continued)*

The freehold land and buildings were valued towards year end by qualified, independent external valuators. The valuation methodologies used by the external valuators 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% (2020: 4 to 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.

The fair value of the buildings as at 31 December 2021, as provided by the valuers was AED 175.8 million (2020: AED 182.9 million), resulting in a decrease in the revaluation reserve by AED 6.7 million (2020: increase by AED 71 thousand). The table below represents the movement in the revaluation reserve of the freehold land and building:

Revaluation reserve – freehold land and buildings	2021 AED'000	2020 AED'000
At 1 January	129,613	129,542
Fair value (loss) / gain	(6,711)	71
At 31 December	122,902	129,613

At 31 December 2021, total cost of AED 178.2 million (2020: AED 178.2 million) of fully depreciated assets was included in freehold land and buildings.

16 Asset held-for-sale

	2021 AED'000	2020 AED'000
Land	-	49,690

During 2018, the Bank had entered into a commercial agreement to sell two lands as part of its investment property portfolio. During the year 2020, the Bank successfully completed the sale of one land. As the sale of the second land has not been completed during 2021, hence the 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.

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

17 Customers' deposits

	2021 AED'000	2020 AED'000
By type:		
Notice and time deposits	10,124,168	9,863,657
Current accounts	4,637,220	4,119,175
Savings accounts	179,634	137,236
	14,941,022	14,120,068
***Islamic deposits** By type:*		
Current accounts	447,086	380,656
Mudaraba term and savings deposits	4,802	15,411
Wakala deposits	975,222	1,710,561
	1,427,110	2,106,628
Total deposits	16,368,132	16,226,696
By sector:		
Government sector	4,379,510	4,763,105
Private sector	9,782,049	8,523,578
Individuals	2,206,573	2,940,013
	16,368,132	16,226,696

18 Due to banks

	2021 AED'000	2020 AED'000
Current, call and vostro balances	384,812	229,145
Fixed deposits	918,250	2,528,019
Funds received from CBUAE under TESS*	-	661,053
	1,303,062	3,418,217
By location:		
Within the UAE	-	1,377,294
Outside the UAE	1,303,062	2,040,923
	1,303,062	3,418,217

*During the year ended 31 December 2021, the Bank has fully repaid the funds received from the CBUAE under the Targeted Economic Support Scheme (TESS).

Arab Bank for Investment and Foreign Trade PJSC (Al Masraf)

19 Other liabilities

	2021 AED'000	2020 AED'000
Acceptances	578,753	165,029
ECL on contingent assets	191,305	224,544
Interest payable	68,588	68,014
Provision for employees' end of service benefits	27,250	26,610
Others	222,223	186,888
	1,088,119	671,085

The movement in the provision for employees' end of service benefits was as follows:

	2021 AED'000	2020 AED'000
At 1 January	26,610	25,389
Provided during the year	9,123	8,570
Paid during the year	(8,483)	(7,349)
	27,250	26,610

20 Capital and reserves

a) *Share capital*

The authorised, issued and fully paid share capital of the Bank comprises 75,000 ordinary shares of AED 20,000 each (2020: 75,000 shares of AED 20,000 each).

b) *Statutory reserve*

As required by Article 239 of the UAE Federal Law No. (2) of 2015, as amended, and the Bank's Articles of Association, 10% of the profit for each year is transferred to a statutory reserve until this reserve equals 50% of the paid-up share capital. There has been a transfer of AED 13.2 million to the reserve during the year (2020: Nil).

c) *Special reserve*

In accordance with Union Law No. (10) of 1980 concerning the Central Bank of the UAE, the Monetary System and the Organisation of Banking, 10% of the profit for each year is transferred to a special reserve until this reserve equals 50% of the paid-up share capital. There has been a transfer of AED 13.2 million to the reserve during the year (2020: Nil).

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.

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20 Capital and reserves *(continued)*

e) Revaluation reserve

The revaluation reserve includes gains on revaluation of freehold land and buildings, amounting to AED 123 million (2020: AED 130 million). During the year 2021 a revaluation loss of AED 6.7 million (2020: gain of AED 71 thousand) was adjusted in the reserves, resulting from the revaluation exercise performed over freehold land and buildings (Note 15).

f) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of Investments at fair value through other comprehensive income (FVOCI), until the investments are derecognised.

	2021 AED'000	2020 AED'000
Fair value reserve – Investments designated at FVOCI		
At 1 January	98,430	55,457
Fair value changes - net	(117)	42,973
At 31 December	**98,313**	98,430

g) Zakat

The Bank has paid AED 1.7 million as Zakat during the year (2020: AED 1.9 million).

21 Interest income

	2021 AED'000	2020 AED'000
Loans and advances to customers	524,587	651,128
Investment securities	78,793	75,614
Due from banks	11,439	31,902
	614,819	758,644

22 Interest expense

	2021 AED'000	2020 AED'000
Customers' deposits	113,880	198,506
Due to banks	5,046	20,392
	118,926	218,898

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23 Income from islamic financing contracts

	2021 AED'000	2020 AED'000
Murabaha	**38,421**	45,250
Ijarah	**56,385**	55,565
	94,806	100,815

24 Depositors' share of profit

	2021 AED'000	2020 AED'000
Wakala	**19,009**	33,865
Mudaraba deposits and saving accounts	**4**	10
	19,013	33,875

25 Net fee and commission income

	2021 AED'000	2020 AED'000
Fee and commission income		
Letters of credit	**44,234**	28,486
Letters of guarantee	**22,709**	19,430
Retail and corporate lending fees	**14,886**	20,497
Transfers and other fees	**6,646**	5,404
Others	**38,196**	36,454
Total fee and commission income	**126,671**	110,271
Fee and commission expense		
Brokerage fees	**(2,565)**	(468)
Handling charges	**(1,271)**	(1,559)
Others	**(7,818)**	(5,926)
Total fee and commission expense	**(11,654)**	(7,953)
Net fee and commission income	**115,017**	102,318

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25 Net fee and commission income *(continued)*

Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. The Bank sets the rates separately for retail and corporate banking customers in each jurisdiction on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Bank.	Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

26 Net foreign currency exchange gain

	2021 AED'000	2020 AED'000
Trading and retranslation (loss) / gain	**(8,695)**	4,278
Dealing with customers	**33,465**	22,728
	24,770	27,006

27 Other operating income

	2021 AED'000	2020 AED'000
Rental income, net (note 13)	**13,089**	17,391
Others	**10,834**	35
	23,923	17,426

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28 General, administration and other operating expenses

	2021 AED'000	2020 AED'000
Staff costs (i)	**153,861**	179,416
Depreciation (ii)	**33,672**	33,262
Board of Directors expenses	**14,618**	14,914
Others	**50,037**	44,956
	252,188	272,548

(i) The number of employees as at 31 December 2021 were 401 employees (2020: 390 employees). Staff costs are divided as follows:

	2021 AED'000	2020 AED'000
Salaries and wages	**65,372**	88,155
End of service benefits (note 19)	**9,123**	8,570
Other benefits	**79,366**	82,691
	153,861	179,416

(ii) Depreciation comprises of depreciation charge for the year on property and equipment and right of use assets amounting to AED 23 million (2020: AED 22.6 million) and investment properties amounting to AED 10.6 million (2020: AED 10.7 million).

29 Net impairment charge on financial assets

	2021 AED'000	2020 AED'000
Net impairment charge on loans and advances	**440,627**	1,180,514
Net impairment (reversal) / charge on unfunded exposures	**(33,238)**	118,082
Net impairment (reversal) / charge on due from banks	**(4,318)**	3,687
Net impairment (reversal) / charge on balances with CBUAE	**(676)**	681
Net impairment charge on investment securities	**4,893**	11,659
Write-off of impaired financial assets	**4,786**	16,920
Recovery of loan loss provisions	**(27,829)**	(16,732)
Recovery of loans previously written - off	**(13,489)**	(14,100)
	370,756	1,300,711

The balance of recoveries includes write back of written off loans and advances including the related suspended interest, and recoveries of current active non-performing loans and advances that had previously been provided for.

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30 Impairment and fair value loss on properties

	2021 AED'000	2020 AED'000
Net impairment (reversal) / charge on investment properties	(7,964)	25,154
Net impairment charge on property acquired in settlement of debt	2,275	5,915
Net impairment (reversal) / charge on properties	(5,689)	31,069
Fair value loss on assets held-for-sale	-	9,880
Fair value loss on own properties	-	6,353
Fair value loss on properties	-	16,233

31 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following amounts maturing within three months of the date of the acquisition / placement:

	2021 AED'000	2020 AED'000
Cash and balances with the Central Bank of the UAE	1,433,476	3,103,565
Due from banks	1,573,035	1,691,879
	3,006,511	4,795,444
Less: cash reserve with Central Bank of the UAE	(570,598)	(809,618)
Less: due from banks with original maturity of more than 3 months	(14,692)	(168,951)
Cash and cash equivalents	2,421,221	3,816,875

32 Commitments and contingencies

	2021 AED'000	2020 AED'000
Letters of credit	1,785,682	1,574,524
Letters of guarantee	2,920,147	3,568,676
	4,705,829	5,143,200
Commitments at the reporting date are shown below:		
Un-drawn commitments to extend credit	3,875,395	5,022,247
Commitment for future capital expenditure	7,670	5,887
	3,883,065	5,028,134
Total commitments and contingencies	8,588,894	10,171,334

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32 Commitments and contingencies *(continued)*

Irrevocable undrawn commitments to extend credit as at 31 December 2021 amounted to AED 496 million (2020: AED 554 million)

Letters of credit and guarantee commit the Bank to make payments on behalf of customers contingent upon the production of documents or the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to extend loans and revolving credits. They generally have fixed expiration dates or other termination clauses and may require a payment of a fee. Since commitments may expire without being drawn upon, the total contracted amounts do not necessarily represent future cash requirements.

As at 31 December 2021 the ECL on unfunded exposures amounted to AED 191 million (2020: AED 224 million).

33 Related parties

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 (%)	
	2021	2020
Emirates Investment Authority	**42.28**	42.28
Libyan Foreign Bank	**42.28**	42.28
Banque Exterieure d'Algerie	**15.44**	15.44

In the normal course of business, the Bank has 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:

	Key management personnel		Others	
	31 December 2021 AED'000	31 December 2020 AED'000	**31 December 2021 AED'000**	31 December 2020 AED'000
Balances				
Loans and advances	**12,894**	16,528	**343,558**	366,409
Due from banks	**-**	-	**205,262**	31,381
Deposits	**16,568**	22,312	**2,767,416**	2,505,996
Due to banks	**-**	-	**935,136**	1,126,447
Commitments and contingencies	**-**	-	**1,484,864**	1,181,019
Transactions				
Board of Directors' remuneration	**14,618**	14,914	**-**	-
Salaries and benefits	**13,067**	17,737	**-**	-
Post-employment benefits	**916**	1,587	**-**	-
Interest income	**356**	500	**9,690**	7,264
Interest expense	**75**	100	**17,579**	34,626
Fee and commission	**-**	-	**2,981**	1,351

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33 Related parties *(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 1% and 6% (2020: 1% to 6%). 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 December 2021 (2020: Nil).

Deposits from other related parties include fixed deposits under lien amounting to AED 845 million (31 December 2020: AED 1,102 million).

34 Derivative Contracts

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. These derivatives are stated at fair value. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative using prevailing market rates or internal pricing models.

Unrealised gains and losses are recognised in profit and loss. In the ordinary course of business, the Bank utilises the following derivative financial instruments:

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Foreign currency and interest rate futures are transacted in standardised amounts on regulated exchanges and changes in futures contract values are marked to market daily.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

				Notional amount by term to maturity		
	Positive fair value	Negative fair value	Notional Amount	Up to 3 months	3 to 6 months	6 to 12 months
31 December 2021	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Forward Foreign Exchange contract	**322**	**2,826**	**3,803,581**	**2,712,841**	**626,075**	**464,665**
31 December 2020						
Forward Foreign Exchange contract	854	150	2,400,994	1,833,075	-	567,919

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35 Basic and diluted earnings / (loss) per share

The calculation of basic earnings / (loss) per share was based on the profit / (loss) attributable to ordinary Shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2021 AED'000	2020 AED'000
Profit / (loss) for the year	**132,431**	(889,822)
Weighted average number of ordinary shares	**75,000**	75,000
Earnings / (Loss) per share (AED)	**1.77**	(11.86)

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

36 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse. At 31 December 2021, the market value of such assets amounted to AED 287.9 million (2020: AED 198.8 million) and are excluded from the financial statements of the Bank.

37 Legal proceedings

The Bank is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, the management does not believe that these matters will have a material adverse effect on the Bank's financial statements, if disposed unfavourably.

38 Social contributions

There are no social contributions made by the Bank during the year (2020: Nil).

39 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements as at and for the year ended 31 December 2021.

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