

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

Condensed interim financial information

For the nine-month period ended 30 September 2022

Principal business address:
P.O. Box 46733
Abu Dhabi
United Arab Emirates

Arab Bank for Investment and Foreign Trade PJSC

Review report and condensed interim financial statements

For the nine-month period ended 30 September 2022

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Arab Bank for Investment and Foreign Trade PJSC (the "Bank") as at 30 September 2022 and the related condensed interim statements of comprehensive income for the three month and nine month periods then ended, and condensed interim statements of changes in equity and cash flows for the nine month period then ended, and other explanatory notes. The directors are responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

PricewaterhouseCoopers
2 November 2022

A handwritten signature in blue ink, appearing to read 'Jacques Fakhoury', is written over a blue horizontal line.

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

PricewaterhouseCoopers (Abu Dhabi Branch), License no. 1001301
Al Khatem Tower, Abu Dhabi Global Market, 25th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me

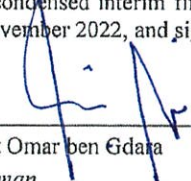
Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy


Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Financial Position As at 30 September 2022

		(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Assets			
Cash and balances with the Central Bank of the UAE	7	902,182	1,433,471
Due from banks	8	1,046,366	1,571,654
Investments at fair value through other comprehensive income (FVOCI)		2,376,220	2,280,300
Investments at fair value through profit or loss (FVTPL)		17,577	17,577
Investments at amortised cost		1,009,219	945,521
Loans and advances	9	13,867,601	14,897,420
Investment properties	10	281,518	377,768
Other assets	11	496,926	751,550
Intangible assets		45,112	51,135
Property and equipment	12	212,963	222,474
		<u>20,255,684</u>	<u>22,548,870</u>
Asset held-for-sale		11,232	-
Total assets		<u>20,266,916</u>	<u>22,548,870</u>
Liabilities			
Customers' deposits	13	13,849,136	16,368,132
Due to banks	14	1,935,134	1,303,062
Other liabilities	15	810,781	1,088,119
Total liabilities		<u>16,595,051</u>	<u>18,759,313</u>
Equity			
Share capital	16a	1,500,000	1,500,000
Statutory reserve	16b	655,965	655,965
Special reserve	16c	651,375	651,375
General reserve	16d	380,000	380,000
Revaluation reserve	16e	122,902	122,902
Fair value reserve	16f	(162,887)	98,313
Retained earnings		524,510	381,002
Total equity		<u>3,671,865</u>	<u>3,789,557</u>
Total liabilities and equity		<u>20,266,916</u>	<u>22,548,870</u>

This condensed interim financial information was authorised and approved for issue by the Board of Directors on 02 November 2022, and signed on their behalf by:


Farhat Omar ben Gdara
Chairman


Graham FitzGerald
Chief Executive Officer

The notes on pages 6 to 25 are an integral part of the condensed interim financial information.
The independent auditor's report on review of the condensed interim financial information is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Comprehensive Income

For the period from 1 January 2022 to 30 September 2022 (Unaudited)

	Note	For the nine-month ended 30 September		For the three-month ended 30 September	
		2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Interest income	18	458,517	465,439	169,829	133,177
Interest expense	19	(98,399)	(90,257)	(44,885)	(29,574)
Net interest income		360,118	375,182	124,944	103,603
Income from Islamic financing contracts	20	66,424	72,065	26,053	24,035
Depositors' share of profits	21	(15,961)	(14,710)	(7,241)	(4,708)
Net income from Islamic financing		50,463	57,355	18,812	19,327
Net interest and Islamic financing income		410,581	432,537	143,756	122,930
Fee and commission income	22	97,388	90,955	31,577	35,911
Fee and commission expense	22	(9,550)	(7,582)	(2,795)	(3,020)
Net fee and commission income		87,838	83,373	28,782	32,891
Dividend income		5,239	4,777	-	-
Net investment income		2,163	2,357	281	1,710
Net foreign exchange gain		25,967	14,759	9,328	9,509
Other operating income	23	11,673	20,406	3,698	2,565
		45,042	42,299	13,307	13,784
Operating income		543,461	558,209	185,845	169,605
General, administrative and other operating expenses	24	(192,686)	(188,625)	(65,698)	(61,531)
Net profit before net impairment charge		350,775	369,584	120,147	108,074
Net impairment charge on financial assets	25	(247,821)	(279,290)	(85,295)	(137,980)
Change in fair value of investment at FVTPL		-	6,556	-	6,556
Net impairment charge on asset held-for-sale		(6,312)	-	-	-
Net profit/ (loss) for the period		96,642	96,850	34,852	(23,350)
Other comprehensive income / (loss)					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Change in fair value of equity investments at FVOCI		11,642	22,761	9,042	7,042
<i>Items that may be reclassified subsequently to profit or loss</i>					
Change in fair value of debt investments at FVOCI		(224,711)	(21,678)	(73,266)	(18,975)
Other comprehensive (loss) / income for the period		(213,069)	1,083	(64,224)	(11,933)
Total comprehensive (loss) / income for the period attributable to shareholders		(116,427)	97,933	(29,372)	(35,283)
Basic and diluted earnings per share (AED)	28	1.29	1.29	0.46	(0.31)

The notes on pages 6 to 25 are an integral part of the condensed interim financial information.

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

Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Changes in Equity

For the period from 1 January 2022 to 30 September 2022 (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Revaluation reserve AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2021	1,500,000	642,722	638,132	380,000	129,613	98,430	277,183	3,666,080
Profit for the period	-	-	-	-	-	-	96,850	96,850
Other comprehensive income for the period	-	-	-	-	-	1,083	-	1,083
Total comprehensive income for the period	-	-	-	-	-	1,083	96,850	97,933
Zakat paid	-	-	-	-	-	-	(1,747)	(1,747)
Balance at 30 September 2021	1,500,000	642,722	638,132	380,000	129,613	99,513	372,286	3,762,266
Balance at 1 January 2022	1,500,000	655,965	651,375	380,000	122,902	98,313	381,002	3,789,557
Profit for the period	-	-	-	-	-	-	96,642	96,642
Other comprehensive loss for the period	-	-	-	-	-	(213,069)	-	(213,069)
Transfer of gain on disposal of equity investments at FVOCI to retained earnings	-	-	-	-	-	(48,131)	48,131	-
Total comprehensive (loss)/ income for the period	-	-	-	-	-	(261,200)	144,773	(116,427)
Zakat paid	-	-	-	-	-	-	(1,265)	(1,265)
Balance at 30 September 2022	1,500,000	655,965	651,375	380,000	122,902	(162,887)	524,510	3,671,865

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Arab Bank for Investment and Foreign Trade PJSC

Condensed Interim Statement of Cash Flows

For the period from 1 January 2022 to 30 September 2022 (Unaudited)

	Note	2022 AED'000	2021 AED'000
Operating activities			
Profit for the period		96,642	96,850
<i>Adjustments for:</i>			
Depreciation	24	23,528	25,195
Net impairment charge on financial assets	25	247,821	279,290
Amortization of premium on bonds		13,377	10,562
Dividend income		(5,239)	(4,777)
Gain on sale of FVOCI debt securities		(2,499)	-
Change in fair value of investment at FVTPL		-	(6,556)
Provision for employees' end of service benefits		5,806	6,448
Net impairment charge on asset held for sale		6,312	-
Operating cash flows before changes in working capital		385,748	407,012
Payment of employees' end of service benefits		(7,544)	(5,615)
<i>Changes in:</i>			
Loans and advances	9	817,861	270,217
Due from banks	8	14,692	137,585
Other assets	11	254,624	(259,359)
Customers' deposits	13	(2,518,996)	(148,012)
Due to banks	14	632,072	(1,813,126)
Other liabilities	15	(319,073)	293,298
Cash reserve with Central Bank of the UAE	7	51,059	356,656
Net cash used in operating activities		(689,557)	(761,344)
Investing activities			
Purchases of property and equipment	12	(15,527)	(16,192)
Dividend received		5,239	4,777
Proceeds from sale / redemption of investments at FVOCI		463,814	275,677
Proceeds from sale of investments properties	10	88,253	-
Proceeds from redemption of investments at amortised cost		4,524	4,521
Purchases of investments at FVOCI		(775,070)	(263,264)
Purchases of investments at amortised cost		(73,130)	(611,664)
Net cash used in investing activities		(301,897)	(606,145)
Net decrease in cash and cash equivalents		(991,454)	(1,367,489)
Cash and cash equivalents at 1 January		2,510,231	3,816,875
Cash and cash equivalents at 30 September	17	1,518,777	2,449,386

The notes on pages 6 to 25 are an integral part of the condensed interim financial information.

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited)

1 Legal status and principal activities

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

The Bank is engaged in commercial and retail banking activities and carries out its operations solely in the United Arab Emirates through its five branches (31 December 2021: seven branches).

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

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

The financial statements of the Bank as at and for the period ended 30 September 2022 and for the year ended 31 December 2021 are available upon request from the Bank’s registered address at P. O. Box 46733, Abu Dhabi, United Arab Emirates.

2 Summary of significant accounting policies

2.1 Basis of preparation

The condensed interim financial information has been prepared on a going concern basis and in accordance with IAS 34 *Interim Financial Reporting* and the requirements of the applicable laws in the UAE. They do not include all of the information required for full annual financial statements as required under IFRS. This condensed interim financial information should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2021 which were prepared in accordance with International Financial Reporting Standards (“IFRS”). The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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

The results for the nine-month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2.2 New and amended standards adopted by the Bank

In the current period, the Bank has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Bank’s future transactions or arrangements.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

2 Summary of significant accounting policies (continued)

2.2 New and amended standards adopted by the Bank (continued)

- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018–2020

Other than the above, there are no other significant IFRSs, amendments or interpretations that were effective for the first time for the financial year beginning on or after 1 January 2022.

2.3 Standards issued but not yet applied by the Bank

The following standards and interpretations have been issued but are not mandatory for annual reporting periods beginning on 1 January 2023. Management anticipates that these amendments will be adopted in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by management.

Title and key requirements	Effective for annual periods beginning on or after
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Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
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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.

Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
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The amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

2 Summary of significant accounting policies (continued)

2.3 Standards issued but not yet applied by the Bank (continued)

Title and key requirements	Effective for annual periods beginning on or after
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023 (deferred from 1 January 2022) *

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver 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.

* Since issuing these amendments, the IASB issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.

3 Judgments and estimates

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

In preparing this condensed interim financial information, the significant judgments made by management in applying the Bank's accounting policies and the key sources of estimates uncertainty were the same as those described in the audited financial statements as at and for the year ended 31 December 2021.

4 Financial risk management

The Bank's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements as at and for the year ended 31 December 2021.

Exposure to credit risk

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

4 Financial risk management (continued)

Credit quality analysis

The following table sets out information about the credit quality of financial assets as at 30 September 2022 and 31 December 2021. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

	30 September 2022 (unaudited)				31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Due from banks								
Low-fair risk	1,047,123	-	-	1,047,123	1,573,035	-	-	1,573,035
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	1,047,123	-	-	1,047,123	1,573,035	-	-	1,573,035
Loss allowance	(757)	-	-	(757)	(1,381)	-	-	(1,381)
Carrying amount	1,046,366	-	-	1,046,366	1,571,654	-	-	1,571,654

	30 September 2022 (unaudited)				31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers								
Low-fair risk	5,868,241	530,419	-	6,398,660	6,191,150	1,126,322	-	7,317,472
Marginal risk	2,493,436	2,774,496	-	5,267,932	2,458,032	2,190,826	-	4,648,858
Higher risk	4,190	1,585,265	-	1,589,455	1,650	1,802,721	-	1,804,371
Grade 8: Substandard	-	-	258,586	258,586	-	-	859,786	859,786
Grade 9: Doubtful	-	-	1,946,120	1,946,120	-	-	2,049,050	2,049,050
Grade 10: Loss	-	-	1,570,001	1,570,001	-	-	993,097	993,097
Total gross carrying amount	8,365,867	4,890,180	3,774,707	17,030,754	8,650,832	5,119,869	3,901,933	17,672,634
Loss allowance	(109,966)	(612,933)	(1,945,034)	(2,667,933)	(121,663)	(371,658)	(1,945,755)	(2,439,076)
Interest suspended	-	-	(456,471)	(456,471)	-	-	(322,155)	(322,155)
Deferred profit	(38,749)	-	-	(38,749)	(13,983)	-	-	(13,983)
Carrying amount	8,217,152	4,277,247	1,373,202	13,867,601	8,515,186	4,748,211	1,634,023	14,897,420

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

4 Financial risk management (continued)

Credit quality analysis (continued)

	30 September 2022 (unaudited)				31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt securities – FVOCI								
Low-fair risk	2,387,449	-	-	2,387,449	2,154,444	-	-	2,154,444
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	2,387,449	-	-	2,387,449	2,154,444	-	-	2,154,444
Loss allowance	(15,883)	-	-	(15,883)	(21,370)	-	-	(21,370)
Carrying amount	2,371,566	-	-	2,371,566	2,133,074	-	-	2,133,074

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

	30 September 2022 (unaudited)				31 December 2021 (audited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Debt securities – amortised cost								
Low-fair risk	1,009,585	-	-	1,009,585	946,117	-	-	946,117
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
Total gross carrying amount	1,009,585	-	-	1,009,585	946,117	-	-	946,117
Loss allowance	(366)	-	-	(366)	(596)	-	-	(596)
Carrying amount	1,009,219	-	-	1,009,219	945,521	-	-	945,521

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

4 Financial risk management (continued)

Capital management

The Bank's regulatory capital positions as at 30 September 2022 and 31 December 2021 is as follows:

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Tier 1 capital		
Share capital	1,500,000	1,500,000
Statutory reserve	655,965	655,965
Special reserve	651,375	651,375
General reserve	380,000	380,000
Fair value reserve	(162,887)	44,241
Retained earnings	524,510	381,002
IFRS transitional arrangement: Partial addback of ECL	280,048	87,116
Deduction from capital	-	(24,625)
Eligible Tier 1 capital (a)	<u>3,829,011</u>	<u>3,675,074</u>
Tier 2 capital		
Eligible general provisions	<u>219,347</u>	<u>227,332</u>
Eligible Tier 2 capital (b)	<u>219,347</u>	<u>227,332</u>
Total capital base (a+b)	<u>4,048,358</u>	<u>3,902,406</u>
<i>Risk weighted assets:</i>		
Credit risk	17,547,789	18,186,591
Market risk	28,316	24,358
Operational risk	<u>1,489,674</u>	<u>1,489,674</u>
Total risk weighted assets	<u>19,065,779</u>	<u>19,700,623</u>
CET 1 ratio	20.1%	18.7%
Tier 1 ratio	20.1%	18.7%
Capital adequacy ratio	<u>21.2%</u>	<u>19.8%</u>

COVID-19 and Expected Credit Loss (ECL)

Economic fallout from COVID-19 crisis has now mostly been contained through the advent of global vaccination drives along with targeted economic measures. With infection and death rates now coming under control, lockdown and other restrictions have eased, which has in turn led to a return of normalcy and a pick-up in economic activity. While the Bank continues to closely monitor the situation and work closely with clients to work through any residual elements of COVID-19 related stresses, it is management's view that economic risks associated with the pandemic have moderated to a great extent at present. In determination of Q3 2022 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.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

4 Financial risk management (continued)

Forward - looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL. The Bank formulates three economic scenarios: a base case, which is the median scenario assigned a 40% probability of occurring (31 December 2021: 40%), and two less likely scenarios, one upside and one downside, each assigned a 30% probability of occurring (31 December 2021: 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 0.2 million at 30 September 2022.

5 Segmental analysis

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

6 Valuation of financial instruments and other assets

Fair value hierarchy

Recurring and non-recurring fair value measurements

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant impact on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

6 Valuation of financial instruments and other assets (continued)

Fair value hierarchy (continued)

Recurring and non-recurring fair value measurements (continued)

All financial assets and liabilities are measured at amortised cost except for financial assets at fair value through profit or loss and investments at FVOCI and other non-financial assets which are measured at fair value by reference to published price quotations in an active market or from prices quoted by counterparties or through use of valuation techniques.

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

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument and other assets at the reporting date that would have been determined by market participants acting at arm's length.

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

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 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 30 September 2022				
Investments at FVOCI	2,371,566	-	4,654	2,376,220
Investment at FVTPL	-	-	17,577	17,577
Investment properties (Note 10)	-	-	281,518	281,518
Property and equipment	-	-	175,549	175,549
Property acquired in settlement of debt (Note 11)	-	-	1,410	1,410
Asset held-for-sale	-	-	11,232	11,232
	<u>2,371,566</u>	<u>-</u>	<u>491,940</u>	<u>2,863,506</u>
At 31 December 2021				
Investments at FVOCI	2,265,792	-	14,508	2,280,300
Investment at FVTPL	-	-	17,577	17,577
Investment properties (Note 10)	-	-	377,768	377,768
Property and equipment	-	-	175,807	175,807
Property acquired in settlement of debt (Note 11)	-	-	6,910	6,910
	<u>2,265,792</u>	<u>-</u>	<u>592,570</u>	<u>2,858,362</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

6 Valuation of financial instruments and other assets (continued)

Fair value hierarchy (continued)

Recurring and non-recurring fair value measurements (continued)

There have been no transfers of assets between Level 1 and Level 2 or any transfers into or out of Level 3 of the fair value hierarchy during the period (Year ended 31 December 2021: 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.

7 Cash and balances with the Central Bank of the UAE

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Cash in hand	100,933	114,524
Balances with the Central Bank of the UAE	370,721	837,364
Cash reserve with Central Bank of the UAE	430,529	481,588
Gross balance	<u>902,183</u>	<u>1,433,476</u>
Allowance for expected credit losses	<u>(1)</u>	<u>(5)</u>
	<u>902,182</u>	<u>1,433,471</u>

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

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

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Opening balance	5	681
Impairment reversal the period/year, net (Note 25)	<u>(4)</u>	<u>(676)</u>
	<u>1</u>	<u>5</u>

8 Due from banks

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Current, call and nostro balances	157,308	477,429
Fixed deposits	889,815	1,095,606
Gross balance	<u>1,047,123</u>	<u>1,573,035</u>
Allowance for expected credit losses	<u>(757)</u>	<u>(1,381)</u>
Net balance	<u>1,046,366</u>	<u>1,571,654</u>

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

8 Due from banks (continued)

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

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Opening balance	1,381	5,699
Impairment reversal for the period/ year, net (Note 25)	(624)	(4,318)
	<u>757</u>	<u>1,381</u>

9 Loans and advances

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

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Loans and advances	14,785,142	15,619,760
Islamic financing	2,245,612	2,052,874
Gross loans and Islamic financing	<u>17,030,754</u>	<u>17,672,634</u>
Deferred profit	(38,749)	(13,983)
Allowance for expected credit losses	(2,667,933)	(2,439,076)
Interest suspended	(456,471)	(322,155)
Net loans and advances	<u>13,867,601</u>	<u>14,897,420</u>

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

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Corporate segment	16,205,151	16,654,247
Consumer segment	825,603	1,018,387
Gross loans and Islamic financing	<u>17,030,754</u>	<u>17,672,634</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

9 Loans and advances (continued)

The movements in the allowance for expected credit losses on loans and advances during the nine-month period ended 30 September 2022 were as follows:

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Opening balance	2,439,076	2,029,933
Charge for the period / year, net (Note 25)	229,387	440,627
Recoveries	-	(27,829)
Net charge during the period / year	229,387	412,798
Net amounts written off	(530)	(3,655)
	<u>2,667,933</u>	<u>2,439,076</u>

10 Investment properties

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Freehold land and building	546,063	708,530
	<u>546,063</u>	<u>708,530</u>
<i>Less: Allowance for impairment</i>	<u>(264,545)</u>	<u>(330,762)</u>
	<u>281,518</u>	<u>377,768</u>

Towards the end of 2021, the Bank carried out an evaluation exercise of the investment properties through qualified, independent external valuers, the valuation methodologies used by the external valuers include:

- Direct Comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity 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 capitalizing 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% (2021: 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.

A further independent valuation has not been performed as of 30 September 2022 and management believes that fair value on the reporting date is not materially different from carrying value.

The Bank has disposed investment properties of AED 88.3 million during the nine - month period ended 30 September 2022 (30 September 2021: Nil).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

11 Other assets

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Acceptances	308,503	578,753
Interest receivable	148,857	133,802
Sundry debtors and other assets	38,156	32,085
Property acquired in settlement of debt, net	1,410	6,910
	<u>496,926</u>	<u>751,550</u>

12 Property and equipment

During the nine-month period ended 30 September 2022, the Bank acquired assets with a cost of AED 15,527 thousand (30 September 2021: AED 16,192 thousand). The depreciation charged during the nine-month period ended 30 September 2022 is AED 15,532 thousand (30 September 2021: AED 17,198 thousand).

13 Customers' deposits

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
<i>By type:</i>		
Notice and time deposits	8,222,247	10,124,168
Current accounts	3,653,070	4,637,220
Savings accounts	133,354	179,634
	<u>12,008,671</u>	<u>14,941,022</u>
<i>Islamic deposits</i>		
<i>By type:</i>		
Current accounts	505,365	447,086
Mudaraba term and savings deposits	6,611	4,802
Wakala deposits	1,328,489	975,222
	<u>1,840,465</u>	<u>1,427,110</u>
Total deposits	<u>13,849,136</u>	<u>16,368,132</u>
<i>By sector:</i>		
Government sector	4,628,814	4,379,510
Private sector	7,312,585	9,782,049
Individuals	1,907,737	2,206,573
	<u>13,849,136</u>	<u>16,368,132</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

14 Due to banks

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Current, call and vostro balances	211,599	384,812
Fixed deposits	1,723,535	918,250
	<u>1,935,134</u>	<u>1,303,062</u>
<i>By location:</i>		
Within the UAE	676,730	-
Outside the UAE	1,258,404	1,303,062
	<u>1,935,134</u>	<u>1,303,062</u>

15 Other liabilities

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Acceptances	308,503	578,753
Interest payable	47,690	68,588
Provision for employees' end of service benefits	25,512	27,250
Allowance for expected credit loss on unfunded exposures	233,514	191,305
Others	195,562	222,223
	<u>810,781</u>	<u>1,088,119</u>

16 Capital and reserves

a) Share capital

The authorized, issued and paid up share capital as at 30 September 2022 is comprised of 75,000 shares of AED 20,000 (31 December 2021: 75,000 thousand ordinary shares of AED 20,000 each).

b) Statutory reserve

As required by Article 241 of the UAE Federal Decree Law No 32 of 2021 on Commercial Companies, and the Bank's Articles of Association, 10% of the net profit for each year is transferred to a statutory reserve until this reserve equals 50% of the share capital. The statutory reserve is not available for distribution. Transfers to the statutory reserve are made at year end, if at all.

c) Special reserve

In accordance with UAE Federal Law No. (14) of 2018 Regarding the Central Bank & Organization of Financial Institutions and Activities, 10% of the net profit for each year is transferred to a special reserve until this reserve equals 50% of the share capital. The special reserve is not available for distribution. Transfers to the special reserve are made at year end, if at all.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

16 Capital and reserves (continued)

d) General reserve

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

e) Revaluation reserve

The revaluation includes cumulative gains on revaluation of freehold land and buildings, amounting to AED 123 million (2021: AED 123 million).

f) Fair value reserve

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

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Fair value reserve – investments designated at FVOCI		
At 1 January	98,313	98,430
Fair value changes – net	<u>(261,200)</u>	<u>(117)</u>
	<u>(162,887)</u>	<u>98,313</u>

17 Cash and cash equivalents

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

	(Unaudited) 30 September 2022 AED'000	(Unaudited) 30 September 2021 AED'000
Cash and balances with the Central Bank of the UAE - gross (Note 7)	902,183	1,818,985
Due from banks -gross (Note 8)	<u>1,047,123</u>	<u>1,114,729</u>
	<u>1,949,306</u>	2,933,714
Less: cash reserve with Central Bank of the UAE (Note 7)	(430,529)	(452,962)
Less: due from banks with original maturity of more than 3 month	-	(31,366)
Cash and cash equivalents	<u><u>1,518,777</u></u>	<u><u>2,449,386</u></u>

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

18 Interest income

	For the nine-month ended 30 September		For the three-month ended 30 September	
	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000
Loans and advances to customers	385,126	396,612	141,092	110,958
Investment securities	64,204	59,720	23,804	19,776
Due from banks	9,187	9,107	4,933	2,443
	<u>458,517</u>	<u>465,439</u>	<u>169,829</u>	<u>133,177</u>

19 Interest expense

	For the nine-month ended 30 September		For the three-month ended 30 September	
	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000
Customers' deposits	87,735	86,434	37,955	28,307
Due to banks	10,664	3,823	6,930	1,267
	<u>98,399</u>	<u>90,257</u>	<u>44,885</u>	<u>29,574</u>

20 Income from Islamic financing contracts

	For the nine-month ended 30 September		For the three-month ended 30 September	
	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000
Ijarah	42,934	42,510	17,347	14,613
Murabaha	23,490	29,555	8,706	9,422
	<u>66,424</u>	<u>72,065</u>	<u>26,053</u>	<u>24,035</u>

21 Depositors' share of profits

	For the nine-month ended 30 September		For the three-month ended 30 September	
	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000
Wakala	15,957	14,707	7,237	4,705
Mudaraba term and saving	4	3	4	3
	<u>15,961</u>	<u>14,710</u>	<u>7,241</u>	<u>4,708</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

22 Net fee and commission income

	For the nine-month ended 30 September		For the three-month ended 30 September	
	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000
<i>Fee and commission income:</i>				
Letters of credit	34,242	31,100	11,225	13,169
Letters of guarantee	17,553	17,076	5,493	7,836
Retail and corporate lending fee	15,127	11,937	4,105	5,081
Transfers and other fee	7,077	4,443	2,597	1,447
Others	23,389	26,399	8,157	8,378
Total fee and commission income	97,388	90,955	31,577	35,911
<i>Fee and commission expenses:</i>				
Brokerage fee	(3,448)	(1,010)	(761)	(594)
Handling charges	(890)	(998)	(319)	(294)
Others	(5,212)	(5,574)	(1,715)	(2,132)
Total fee and commission expense	(9,550)	(7,582)	(2,795)	(3,020)
Net fee and commission income	87,838	83,373	28,782	32,891

23 Other operating income

	For the nine-month ended 30 September		For the three-month ended 30 September	
	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000	2022 (Unaudited) AED'000	2021 (Unaudited) AED'000
Rental income	10,174	9,581	2,909	2,565
Others	1,499	10,825	789	-
	11,673	20,406	3,698	2,565

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

24 General, administrative, and other operating expenses

	For the nine-month ended		For the three-month ended	
	30 September		30 September	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Staff costs	117,318	115,568	39,308	37,349
Depreciation	23,528	25,195	7,593	8,386
Board of Directors expenses	12,006	11,354	3,692	3,923
Other operating expenses	39,834	36,508	15,105	11,873
	<u>192,686</u>	<u>188,625</u>	<u>65,698</u>	<u>61,531</u>

25 Net impairment charge on financial assets

	For the nine-month ended		For the three-month ended	
	30 September		30 September	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	2022	2021	2022	2021
	AED'000	AED'000	AED'000	AED'000
Net impairment charge on loans and advances	229,387	306,789	57,130	119,907
Net impairment charge / (reversal) on unfunded exposures	42,209	(18,752)	33,814	16,926
Net impairment reversal on due from banks	(624)	(3,505)	(262)	(2,692)
Net impairment reversal on central bank balances	(4)	(633)	(1)	(127)
Net impairment (reversal) / charge on investment securities	(5,718)	4,131	(931)	2,401
Write-off of impaired financial assets	52	3,838	32	3,272
Recovery of loans previously written – off	(17,481)	(12,578)	(4,487)	(1,707)
	<u>247,821</u>	<u>279,290</u>	<u>85,295</u>	<u>137,980</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

26 Commitments and contingent liabilities

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

	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Letters of credit	1,513,595	1,785,682
Letters of guarantee	3,165,455	2,920,147
	<u>4,679,050</u>	<u>4,705,829</u>
Un-drawn commitments to extend credit	3,641,063	3,875,395
Commitment for future capital expenditure	9,394	7,670
	<u>3,650,457</u>	<u>3,883,065</u>
Total commitments and contingencies	<u>8,329,507</u>	<u>8,588,894</u>

27 Related party transactions

Identity of related parties

The Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. The Bank's shareholding pattern is as follows:

	<u>Shareholding percentage %</u>	
	2022	2021
Emirates Investment Authority	42.28	42.28
Libyan Foreign Bank	42.28	42.28
Banque Exterieur d'Algerie	15.44	15.44

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Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

27 Related party transactions (continued)

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

Balances:	Key management personnel		Others	
	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000	(Unaudited) 30 September 2022 AED'000	(Audited) 31 December 2021 AED'000
Loans and advances	8,314	12,894	265,499	343,558
Due from banks	-	-	5,055	205,262
Deposits	16,779	16,568	3,093,893	2,767,416
Due to banks	-	-	887,421	935,136
Commitments and contingencies	-	-	1,260,874	1,484,864

Transactions:	Key management personnel		Others	
	(Unaudited) 30 September 2022 AED'000	(Unaudited) 30 September 2021 AED'000	(Unaudited) 30 September 2022 AED'000	(Unaudited) 30 September 2021 AED'000
Board of Directors' expenses	12,006	11,354	-	-
Salaries and benefits	9,654	10,722	-	-
Post-employment benefits	912	764	-	-
Interest income	270	330	7,546	4,133
Interest expense	87	58	29,247	8,633
Fee and commission	-	-	2,853	1,883
Other operating expenses	-	-	184	-

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 bear interest rates ranging between 2% and 8% (30 September 2021: 3% and 5%). 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 30 September 2022 (31 December 2021: Nil).

Due to banks from other related parties include term deposits under lien amounting to AED 845 million (31 December 2021: AED 845 million).

The Bank has received a corporate guarantee from a related party as a collateral for loans and advances amounting to AED 963 million (31 December 2021: AED 955 million).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the condensed interim financial information for the nine-month period ended 30 September 2022 (unaudited) (continued)

28 Basic and diluted earnings per share

	For the nine-month ended 30 September		For the three-month ended 30 September	
	(Unaudited) 2022 AED'000	(Unaudited) 2021 AED'000	(Unaudited) 2022 AED'000	(Unaudited) 2021 AED'000
Profit/ (loss) for the period	96,642	96,850	34,852	(23,350)
Weighted average number of ordinary shares	75,000	75,000	75,000	75,000
Earnings per share (AED)	<u>1.29</u>	<u>1.29</u>	<u>0.46</u>	<u>(0.31)</u>

There were no potentially dilutive securities as at 30 September 2022 or 30 September 2021, and accordingly, diluted earnings per share are the same as basic earnings per share.

29 Fiduciary activities

The Bank holds assets in a fiduciary capacity for its customers without recourse. At 30 September 2022, the market value of such assets amounted to AED 334.3 million (31 December 2021: AED 337.9 million) and are excluded from the financial statements of the Bank.

30 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported or require disclosure in the condensed interim financial information as at and for the nine-month period ended 30 September 2022.