

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

Condensed interim financial information

For the nine-months period ended 30 September 2019

**Principal business address:**

P.O. Box: 46733

Abu Dhabi

United Arab Emirates

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

## **Condensed interim financial statements**

*For the nine-months period ended 30 September 2019*

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## **Independent Auditors' Report on Review of Condensed Interim Financial Information**

To the Shareholders of Arab Bank for Investment and Foreign Trade PJSC

### **Introduction**

We have reviewed the accompanying condensed interim financial information of Arab Bank for Investment and Foreign Trade PJSC ("the Bank"), as at 30 September 2019 which comprises:

- the condensed interim statement of financial position as at 30 September 2019;
- the condensed interim statement of comprehensive income for the three and nine-month periods ended 30 September 2019;
- the condensed interim statement of changes in equity for the nine-month period ended 30 September 2019;
- the condensed interim statement of cash flows for the nine-month period ended 30 September 2019; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on these condensed interim financial information based on our review.

### *Scope of Review*

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



## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019, condensed interim financial information as at and for the nine-month period ended 30 September 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Emilio Pera  
Registration No: 1146  
Abu Dhabi, United Arab Emirates  
Date:

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

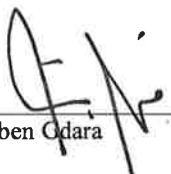
## Condensed Interim Statement of Financial Position

As at

		(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
<b>Assets</b>			
Cash and balances with the Central Bank of the UAE	8	1,878,052	1,730,980
Due from banks and financial institutions - net	9	2,103,651	3,175,495
Loans and advances - net	12	15,432,611	13,898,204
Investment at fair value through other comprehensive income (FVOCI)		1,793,209	1,357,425
Investment at fair value through profit or loss		40,446	40,446
Investment at amortised cost		38,405	-
Investment properties	10	384,590	392,584
Other assets	13	302,201	262,469
Property and equipment		299,909	281,074
Non-current assets held-for-sale	11	120,608	120,608
<b>Total assets</b>		<b>22,393,682</b>	<b>21,259,285</b>
<b>Liabilities</b>			
Customers' deposits	14	15,857,067	14,154,810
Due to banks	15	1,746,276	2,635,582
Other liabilities	16	393,648	362,166
<b>Total liabilities</b>		<b>17,996,991</b>	<b>17,152,558</b>
<b>Equity</b>			
Share capital	17	1,500,000	1,500,000
Statutory reserve	17	593,665	593,665
Special reserve	17	589,075	589,075
General reserve	17	380,000	380,000
Revaluation reserve	17	139,286	145,695
Fair value reserve	17	41,918	(30,155)
Retained earnings		1,152,747	928,447
<b>Total equity</b>		<b>4,396,691</b>	<b>4,106,727</b>
<b>Total liabilities and equity</b>		<b>22,393,682</b>	<b>21,259,285</b>

These condensed interim financial statements were authorised and approved for issue by the Board of

Directors on \_\_\_\_\_, and signed on their behalf by:

  
Farhat Omar ben Odara  
Chairman

  
Faisal H. Galadari  
Chief Executive Officer

The notes on pages 7 to 27 are an integral part of the condensed interim financial information.  
The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

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

## Condensed interim statement of comprehensive income

For the nine-months period ended 30 September 2019 (Unaudited)

	Note	For the nine-months ended 30 September		For the three-months ended 30 September	
		2019 AED'000	2018 AED'000	2019 AED'000	2018 AED'000
Interest income	19	721,926	622,302	249,625	220,997
Interest expense	20	(240,882)	(159,880)	(83,766)	(61,719)
<b>Net interest income</b>		<b>481,044</b>	462,422	<b>165,859</b>	159,278
Income from Islamic financing contracts	21	81,196	65,151	28,346	24,279
Depositors' share of profits	22	(44,979)	(36,800)	(14,981)	(12,390)
<b>Net income from Islamic financing</b>		<b>36,217</b>	28,351	<b>13,365</b>	11,889
Fees and commission income	23	116,520	85,385	37,122	30,213
Fees and commission expense	23	(10,400)	(9,077)	(3,830)	(2,027)
<b>Net fees and commission income</b>		<b>106,120</b>	76,308	<b>33,292</b>	28,186
Dividends income		6,931	5,378	-	-
Net gain / (loss) on sale of fair value through other comprehensive income investments		567	(77)	(94)	35
Net foreign exchange gain		19,745	11,333	6,987	4,214
Other operating income	24	14,996	19,524	3,554	5,324
<b>Operating income</b>		<b>665,620</b>	603,239	<b>222,963</b>	208,926
General, administrative and other operating expenses	25	(206,047)	(191,107)	(69,635)	(69,057)
<b>Net profit before net impairment charge</b>		<b>459,573</b>	412,132	<b>153,328</b>	139,869
Net impairment charge on financial assets	26	(83,242)	(42,780)	(27,501)	(49,557)
Allowance of impairment on investment properties		-	(1,513)	-	(1,513)
Reversal of impairment allowance on FVOCI		-	12,252	-	16,152
<b>Net profit for the period</b>		<b>376,331</b>	380,091	<b>125,827</b>	104,951
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified subsequently to profit or loss</i>					
Fair value adjustment on property and equipment		(6,409)	(6,411)	(2,136)	(2,138)
Change in fair value of equity investments at FVOCI		8,130	2,395	2,906	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Change in fair value of bond investments at FVOCI		63,943	(16,921)	17,913	13,890
<b>Total comprehensive income for the period</b>		<b>441,995</b>	359,154	<b>144,510</b>	116,703
<b>Total comprehensive income for the period attributable to shareholders</b>		<b>441,995</b>	359,154	<b>144,510</b>	116,703
<b>Basic and diluted earnings per share (AED'000)</b>	29	<b>5.02</b>	5.07	<b>1.68</b>	1.40

The notes on pages 7 to 27 are an integral part of this condensed interim financial statements.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

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

## Condensed Interim Statement of Changes in Equity

For the nine-month period ended 30 September 2019 (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 AED'000
Balance at 1 January 2018	1,500,000	545,413	540,823	380,000	144,348	(2,633)	946,664	4,054,615
Impact of Adopting IFRS 9	-	-	-	-	-	1,041	(252,504)	(251,463)
<b>Balance at 1 January 2018 – restated</b>	<b>1,500,000</b>	<b>545,413</b>	<b>540,823</b>	<b>380,000</b>	<b>144,348</b>	<b>(1,592)</b>	<b>694,160</b>	<b>3,803,152</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	380,091	380,091
<b>Other comprehensive income</b>								
Fair value adjustment	-	-	-	-	-	(14,526)	-	(14,526)
Transfer from revaluation reserve	-	-	-	-	(6,411)	-	-	(6,411)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,411)</b>	<b>(14,526)</b>	<b>380,091</b>	<b>359,154</b>
<b>Transactions with the owners of the bank</b>								
Dividends declared to equity holders	-	-	-	-	-	-	(150,000)	(150,000)
Zakat paid	-	-	-	-	-	-	(1,735)	(1,735)
<b>Balance at 30 September 2018</b>	<b>1,500,000</b>	<b>545,413</b>	<b>540,823</b>	<b>380,000</b>	<b>137,937</b>	<b>(16,118)</b>	<b>922,516</b>	<b>4,010,571</b>
Balance at 1 January 2019	<b>1,500,000</b>	<b>593,665</b>	<b>589,075</b>	<b>380,000</b>	<b>145,695</b>	<b>(30,155)</b>	<b>928,447</b>	<b>4,106,727</b>
<b>Total comprehensive income for the period</b>								
Profit for the period	-	-	-	-	-	-	376,331	376,331
<b>Other comprehensive income</b>								
Fair value adjustment	-	-	-	-	(6,409)	72,073	-	65,664
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,409)</b>	<b>72,073</b>	<b>376,331</b>	<b>441,995</b>
<b>Transactions with the owners of the bank</b>								
Dividends declared to equity holders	-	-	-	-	-	-	(150,000)	(150,000)
Zakat paid	-	-	-	-	-	-	(2,031)	(2,031)
<b>Balance at 30 September 2019</b>	<b>1,500,000</b>	<b>593,665</b>	<b>589,075</b>	<b>380,000</b>	<b>139,286</b>	<b>41,918</b>	<b>1,152,747</b>	<b>4,396,691</b>

The notes on pages 7 to 27 are an integral part of the condensed interim financial information.

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

## Condensed Interim Statement of Cash Flows

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

	<i>Note</i>	<b>2019</b> AED'000	2018 AED'000
<b>Cash flows from operating activities</b>			
Profit for the period		<b>376,331</b>	380,091
<i>Adjustments for:</i>			
Depreciation		<b>21,021</b>	16,934
Provision for net impairment charge on financial assets		<b>83,242</b>	42,780
Amortization of premium on bonds		<b>8,977</b>	8,091
Reversal of impairment allowance on FVOCI		-	(12,252)
Reversal of impairment of due from banks		<b>712</b>	(6,210)
		<b>490,283</b>	429,434
<i>Changes in:</i>			
Due from banks and financial institutions		<b>(12,854)</b>	-
Loans and advances		<b>(1,617,649)</b>	(1,170,466)
Other assets		<b>(39,732)</b>	(263,045)
Due to banks		<b>936,615</b>	-
Customers' deposits		<b>1,702,257</b>	1,346,850
Other liabilities		<b>31,482</b>	264,134
Cash reserve with the Central Bank of the UAE		<b>(93,101)</b>	9,080
<b>Net cash generated from operating activities</b>		<b>1,397,301</b>	615,987
<b>Cash flows from investing activities</b>			
Proceeds from sale of investment properties		<b>23</b>	87,567
Purchase of property and equipment		<b>(37,821)</b>	(24,870)
Proceeds from redemption investments at FVOCI		<b>210,925</b>	18,639
Purchase of investments at FVOCI		<b>(583,939)</b>	(251,079)
Purchase of investments at amortized cost		<b>(38,552)</b>	-
<b>Net cash used in investing activities</b>		<b>(449,364)</b>	(169,743)
<b>Cash flows from financing activities</b>			
Cash dividend paid		<b>(150,000)</b>	(150,000)
Zakat paid		<b>(2,031)</b>	(1,735)
<b>Net cash used in financing activities</b>		<b>(152,031)</b>	(151,735)
<b>Net increase in cash and cash equivalents</b>		<b>795,906</b>	294,509
Cash and cash equivalents at 1 January		<b>1,409,679</b>	1,301,947
<b>Cash and cash equivalents at 30 September</b>	<i>18</i>	<b>2,205,585</b>	1,596,456

The notes on pages 7 to 27 are an integral part of the condensed interim financial information.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.



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

## Notes to the condensed interim financial information

### 1 Legal status and principal activities

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

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

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

The financial statements of the Bank as at and for the quarter ending 30 September 2019 and year ended 31 December 2018 are available upon request from the Bank’s registered address P. O. Box 46733, Abu Dhabi, United Arab Emirates.

### 2 Statement of compliance

This condensed interim financial information have been prepared on an ongoing basis in accordance with IAS 34 Interim Financial Reporting and the requirements of applicable laws in the UAE. They do not include all of the information required for full annual financial statements as required under IFRS. These condensed interim financial statements should be read in conjunction with the financial statements of the Bank as at and for the year ended 31 December 2018, except for changes in accounting policies explained in note 4.

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

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

### 3 Judgments and estimates

The preparation of these 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 these 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 2018, except for the adoption of IFRS 16 Leases for the first time which are described in note 4.

### 4 Significant accounting policies

The accounting policies applied by the Bank in this condensed interim financial information are the same as those applied by the Bank in its most recent audited annual financial statements for the year ended 31 December 2018 except as described below.

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

## Notes to the condensed interim financial information

### 4 Significant accounting policies *(continued)*

#### a) IFRS 16 – Leases

The Bank has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed below.

#### *Policy applicable from 1 January 2019*

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange of consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically identified asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Bank has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Bank has the right to direct the use of the asset. The Bank has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Bank has the right to direct the use of the asset when either:
  - the Bank has the right to operate the asset; or
  - the Bank designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Bank has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

#### *Policy applicable prior to 1 January 2019*

For contracts entered into before 1 January 2019, the Bank determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

## Notes to the condensed interim financial information

### 4 Significant accounting policies *(continued)*

#### a) IFRS 16 – Leases *(continued)*

##### i) As a lessee

*Policy applicable from 1 January 2019*

The Bank recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Bank's estimate of the amount expected to be payable under a residual value guarantee or if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Bank right-of-use assets are classified under 'property and equipment' and lease liabilities in 'Other liabilities' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Bank has elected not to recognize right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

## Notes to the condensed interim financial information

### 4 Significant accounting policies *(continued)*

#### a) IFRS 16 – Leases *(continued)*

##### i) As a lessee *(continued)*

*Policy applicable prior to 1 January 2019*

*Under IAS 17*

In the comparative period, as a lessee the Bank classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Bank's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

##### ii) As a lessor

When the Bank acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Bank applies IFRS 15 to allocate the consideration in the contract.

The Bank recognizes lease payments received under operating leases as income on a straight line basis over the lease term as part of 'other income' in the statement of profit or loss.

The accounting policies applicable to the Bank as a lessor in the comparative period were not different from IFRS 16. The impact on the condensed interim financial statements has been disclosed as below:

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

## Notes to the condensed interim financial information

### 4 Significant accounting policies (continued)

#### a) IFRS 16 – Leases (continued)

##### Impact on financial statements

On transition to IFRS 16, the Bank recognized AED 21.3 million as right of use assets, and recognized a lease liability in the same amount.

‘Property and equipment’ comprises the following in owned and leased assets:

	(Unaudited) 30 September 2019 AED’000	(Audited) 31 December 2018 AED’000
Property and equipment owned	298,133	281,074
Right of Use Assets	16,670	-
	<u>314,803</u>	<u>281,074</u>

The movement during the period of right-of-use is as follows:

	30 September 2019 AED’000
Balance as at 1 January	21,340
Depreciation during the period	(4,670)
	<u>16,670</u>

Interest expense of AED 418 thousand has been recognized in the statement of comprehensive income for the nine month period ended 30 September 2019.

When measuring lease liabilities, the Bank discounted lease payments using its incremental borrowing rate 2.61%+ 1 Month EIBOR.

#### iii) Lease liabilities

	30 September 2019 AED’000
Lease liabilities included in the interim statement of financial position	<u>17,037</u>

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

## Notes to the condensed interim financial information

### 5 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 2018.

#### *Exposure to credit risk*

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

#### *Credit quality analysis*

The following table sets out information about the credit quality of financial assets measured at amortised cost, FVOCI debt investments at 30 September 2019 and 31 December 2018. 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 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Due from banks</b>								
Low-fair risk	1,896,744	212,723	-	2,109,467	2,976,639	203,960	-	3,180,599
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
<b>Total gross carrying amount</b>	<b>1,896,744</b>	<b>212,723</b>	<b>-</b>	<b>2,109,467</b>	<b>2,976,639</b>	<b>203,960</b>	<b>-</b>	<b>3,180,599</b>
Loss allowance (Stage 1 + Stage 2)	(1,248)	(4,568)	-	(5,816)	(2,114)	(2,990)	-	(5,104)
<b>Carrying amount</b>	<b>1,895,496</b>	<b>208,155</b>	<b>-</b>	<b>2,103,651</b>	<b>2,974,525</b>	<b>200,970</b>	<b>-</b>	<b>3,175,495</b>

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

## Notes to the condensed interim financial information

### 5 Financial risk management (continued)

#### Exposure to credit risk (continued)

	30 September 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loans and advances to customers</b>								
Low-fair risk	12,507,792	1,416,172	-	13,923,964	9,997,217	3,693,114	999	13,691,330
Higher risk	12,580	1,673,791	12,560	1,698,931	24,904	432,404	2,024	459,332
Grade 8: Substandard	-	-	678,005	678,005	-	-	582,538	582,538
Grade 9: Doubtful	-	-	105,983	105,983	-	-	43,449	43,449
Grade 10: Loss	-	-	137,636	137,636	-	-	141,540	141,540
<b>Total gross carrying amount</b>	<b>12,520,372</b>	<b>3,089,963</b>	<b>934,184</b>	<b>16,544,519</b>	<b>10,022,121</b>	<b>4,125,518</b>	<b>770,550</b>	<b>14,918,189</b>
Loss allowance (Stage 1 + Stage 2)	(41,460)	(295,014)	-	(336,474)	(44,843)	(252,308)	-	(297,151)
Loss allowance (Stage 3)	-	-	(562,118)	(562,118)	-	-	(439,133)	(439,133)
Unallocated Provision	(49,810)	(57,327)	-	(107,137)	-	-	(201,883)	(201,883)
Interest in suspense	-	-	(76,481)	(76,481)	-	-	(49,065)	(49,065)
Deferred Profit	(29,698)	-	-	(29,698)	(32,753)	-	-	(32,753)
<b>Carrying amount</b>	<b>12,399,404</b>	<b>2,737,621</b>	<b>295,585</b>	<b>15,432,611</b>	<b>9,944,525</b>	<b>3,873,210</b>	<b>80,469</b>	<b>13,898,204</b>

	30 September 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt Securities – FVOCI</b>								
Low-fair risk	1,648,209	18,216	-	1,666,425	1,207,642	37,147	-	1,244,789
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
<b>Total gross carrying amount</b>	<b>1,648,209</b>	<b>18,216</b>	<b>-</b>	<b>1,666,425</b>	<b>1,207,642</b>	<b>37,147</b>	<b>-</b>	<b>1,244,789</b>
Loss allowance (Stage 1 + Stage 2)	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	<b>1,648,209</b>	<b>18,216</b>	<b>-</b>	<b>1,666,425</b>	<b>1,207,642</b>	<b>37,147</b>	<b>-</b>	<b>1,244,789</b>

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

## Notes to the condensed interim financial information

### 5 Financial risk management (continued)

#### Exposure to credit risk (continued)

	30 September 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt Securities – FVPTL</b>								
Low-fair risk	-	40,446	-	40,446	-	40,446	-	40,446
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
<b>Total gross carrying amount</b>	-	40,446	-	40,446	-	40,446	-	40,446
Loss allowance (Stage 1 + Stage 2)	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	-	40,446	-	40,446	-	40,446	-	40,446

	30 September 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Debt Securities – Amortised cost</b>								
Low-fair risk	38,405	-	-	38,405	-	-	-	-
Higher risk	-	-	-	-	-	-	-	-
Grade 8: Substandard	-	-	-	-	-	-	-	-
Grade 9: Doubtful	-	-	-	-	-	-	-	-
Grade 10: Loss	-	-	-	-	-	-	-	-
<b>Total gross carrying amount</b>	38,405	-	-	38,405	-	-	-	-
Loss allowance (Stage 1 + Stage 2)	-	-	-	-	-	-	-	-
<b>Carrying amount</b>	38,405	-	-	38,405	-	-	-	-



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

## Notes to the condensed interim financial information

### 5 Financial risk management (Continued)

#### Capital management

The Bank's capital adequacy ratio as per Basel III, at a minimum level of 10.5%, is analyzed into two tiers as follows:

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
<b>Tier 1 capital</b>		
Ordinary share capital	1,500,000	1,500,000
Retained earnings	1,152,747	928,447
Statutory and special reserves	1,182,740	1,182,740
General reserve	380,000	380,000
Accumulated other comprehensive income	18,863	(30,155)
	<u>4,234,350</u>	<u>3,961,032</u>
<b>Tier 2 capital</b>		
General provisions, max. 1.25 % of credit RWA	234,363	234,821
	<u>234,363</u>	<u>234,821</u>
<b>Total capital base</b>	<u>4,468,713</u>	<u>4,195,853</u>
Risk weighted assets:		
Credit risk	18,749,002	18,785,683
Market risk	58,840	84,685
Operational risk	1,395,160	1,395,160
	<u>20,203,002</u>	<u>20,265,528</u>
<b>Risk weighted assets</b>	<u>20,203,002</u>	<u>20,265,528</u>
<b>Capital adequacy ratio</b>	<u>22.1%</u>	<u>20.7%</u>
<b>Tier 1 capital ratio</b>	<u>21.0%</u>	<u>19.5%</u>
<b>Tier 2 capital ratio</b>	<u>1.16%</u>	<u>1.16%</u>

### 6 Segmental analysis

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

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

## Notes to the condensed interim financial information

### 7 Financial assets and liabilities

#### Financial instruments measured at fair value - hierarchy

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<b>As at 30 September 2019 (Unaudited)</b>				
FVOCI investments	1,777,833	-	15,376	1,793,209
FVTPL investments	-	-	40,446	40,446
Investments at amortized cost	38,405	-	-	38,405
	<u>1,816,238</u>	<u>-</u>	<u>55,822</u>	<u>1,872,060</u>
<b>As at 31 December 2018</b>				
FVOCI investments	1,342,506	-	14,919	1,357,425
FVTPL investments	-	-	40,446	40,446
	<u>1,342,506</u>	<u>-</u>	<u>55,365</u>	<u>1,397,871</u>

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

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

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

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

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

## Notes to the condensed interim financial information

### 8 Cash and balances with the Central Bank of the UAE

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Cash in hand	73,203	63,619
Balances with the Central Bank of the UAE	1,029,080	984,693
Cash reserve with the Central Bank of the UAE	775,769	682,668
	<u>1,878,052</u>	<u>1,730,980</u>

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

### 9 Due from banks and financial institutions

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Current, call and notice deposits	254,856	885,587
Fixed deposits	1,658,107	2,111,362
Loan syndication	196,504	183,650
<b>Total</b>	<u>2,109,467</u>	<u>3,180,599</u>
Allowance for impairment	<u>(5,816)</u>	<u>(5,104)</u>
	<u>2,103,651</u>	<u>3,175,495</u>

### 10 Investment properties

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Investment properties		
Land	168,523	168,523
Buildings	218,864	226,835
<b>Total investment properties (A)</b>	<u>387,387</u>	<u>395,358</u>
Investment properties under development		
Land	233,702	315,101
Work-in-progress	9,505	13,845
<b>Total investment properties under development (B)</b>	<u>243,207</u>	<u>328,946</u>
<b>Total (A+B)</b>	<u>630,594</u>	<u>724,304</u>
Less: Allowance for impairment	<u>(246,004)</u>	<u>(331,720)</u>
	<u>384,590</u>	<u>392,584</u>

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

## Notes to the condensed interim financial information

### 10 Investment properties (continued)

Towards the end of 2018, the Bank carried out an evaluation exercise of the investment properties and investment properties under development through qualified, independent external valuers.

The valuation methodologies used by the external valuers include:

- Direct Comparable method: This method seeks to determine the value of the property from transactions of comparable properties in the vicinity applying adjustments to reflect differences to the subject property.
- Investment method: This method is used to assess the value of the property by capitalizing the net operating income of the property at an appropriate yield an investor would expect for an investment of the duration of the interest being valued. A yield range of 4% to 5% has been applied, together with allowances for rent fee periods.

A further independent valuation has not been performed as of 30 September 2019 and management believes that fair value on the reporting date is not materially different from carrying value.

The Bank considers the valuation of investment properties falls under level 3 measurement of the fair value hierarchy.

### 11 Non-current assets held-for-sale

During the year ended 31 December 2018, the bank has entered into a commercial agreement to sell a part of its investment property portfolio. The deal is expected to be finalized in 2019. These assets are non-cash generating units and therefore have no impact on the statement of profit or loss and other comprehensive income.

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Land held-for-sale	120,608	120,608
Gross investments	<u>120,608</u>	<u>120,608</u>

### 12 Loans and advances

Loans and advances are stated net of provision for impairment.

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Loans and advances	14,598,427	13,044,650
Islamic financing	1,946,092	1,873,539
<b>Gross loans and Islamic financing</b>	<u>16,544,519</u>	<u>14,918,189</u>
Allowance for impairment	(1,005,729)	(938,167)
Deferred profit	(29,698)	(32,753)
Interest suspended	(76,481)	(49,065)
<b>Net loans and advances</b>	<u>15,432,611</u>	<u>13,898,204</u>

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

## Notes to the condensed interim financial information

### 12 Loans and advances (continued)

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

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Corporate	15,564,351	13,737,779
Consumer	980,168	1,180,410
<b>Gross loans and advances</b>	<b>16,544,519</b>	<b>14,918,189</b>

The movements in the allowance for impaired loans and advances during the nine-month period ended 30 September 2019 were as follows:

	For the nine months ended 30 September 2019		
	Individual impairment AED'000	Collective impairment AED'000	Total AED'000
At 1 January	439,133	499,034	938,167
Charge for the period	94,740	21,506	116,246
Recoveries during the period	(26,187)	-	(26,187)
Net charge for the period	68,553	21,506	90,059
Net amounts written off	(20,901)	(873)	(21,774)
Transfer during the period	75,333	(75,333)	-
Transfer to general Provision/Bank	-	(723)	(723)
At 30 September	<b>562,118</b>	<b>443,611</b>	<b>1,005,729</b>

The movements in the allowance for impaired loans and advances during the nine-month period ended 30 September 2018 were as follows:

	For the nine months ended 30 September 2018		
	Individual impairment AED '000	Collective impairment AED '000	Total AED '000
At 1 January	383,725	435,355	819,080
Adjustment on initial adoption of IFRS 9	222,534	40,615	263,149
Charge for the period	87,526	8,827	96,353
Recoveries during the period	(29,755)	-	(29,755)
Net charge for the period	57,771	8,827	66,598
Net amounts written off	(112,231)	(148,652)	(260,883)
Transfer during the period	(121,345)	121,378	33
Transfer from IIS to GP	-	24,254	24,254
Transfer to GP Banks to GP loans	-	6,210	6,210
At 30 September	<b>430,454</b>	<b>487,987</b>	<b>918,441</b>

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

## Notes to the condensed interim financial information

### 13 Other assets

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Acceptances	21,002	55,622
Interest receivable	222,536	157,674
Sundry debtors and other receivables	40,791	31,301
Property acquired in settlement of debt	17,872	17,872
	<u>302,201</u>	<u>262,469</u>

### 14 Customers' deposits

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
<b>Conventional deposits</b>		
<i>By type:</i>		
Notice and time deposits	9,651,935	8,623,328
Current accounts & cash margin	3,925,737	3,520,435
Savings accounts	104,816	148,440
	<u>13,682,488</u>	<u>12,292,203</u>
<b>Islamic deposits</b>		
<i>By type:</i>		
Current account deposits	179,299	175,076
Mudaraba term and savings deposits	3,574	3,626
Wakala deposits	1,991,706	1,683,905
	<u>2,174,579</u>	<u>1,862,607</u>
<b>Total deposits</b>	<u>15,857,067</u>	<u>14,154,810</u>
<i>By sector:</i>		
Government sector	4,248,358	3,542,935
Private sector	8,492,462	7,505,462
Retail Sector	3,116,247	3,106,413
	<u>15,857,067</u>	<u>14,154,810</u>

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

## Notes to the condensed interim financial information

### 15 Due to banks

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Current, call and notice deposits	188,924	558,263
Fixed deposits	1,557,352	2,077,319
	<u>1,746,276</u>	<u>2,635,582</u>
<i>By location:</i>		
Within the UAE	33,057	576,095
Outside the UAE	1,713,219	2,059,487
	<u>1,746,276</u>	<u>2,635,582</u>

### 16 Other liabilities

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Acceptances	21,002	55,622
Interest payable	140,976	116,715
Provision for employees' end of service benefits	24,435	22,885
Others	207,235	166,944
	<u>393,648</u>	<u>362,166</u>

### 17 Equity

#### a) Dividends and share capital

At the Annual General Meeting (AGM) held on 17<sup>th</sup> March 2019, the shareholders of the Bank approved a dividend of AED 2,000 per ordinary share (31 December 2018: AED 2,000 per ordinary share). The authorized, issued and paid up share capital as at 30 September 2019 is comprised of 75,000 thousand ordinary shares of AED 20,000 each (31 December 2018: 75,000 thousand ordinary shares of AED 20,000 each).

#### b) Statutory reserve

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

#### c) Special reserve

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

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

## Notes to the condensed interim financial information

### 17 Equity (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 139 million (2018: AED 146 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 2019 AED'000	(Audited) 31 December 2018 AED'000
Fair value reserve – FVOCI investments		
Balance at 1 January	(30,155)	(2,633)
Revaluation gain / (loss) recognized	72,073	(28,563)
Impact of adopting IFRS 9	-	1,041
<b>Balance</b>	<b>41,918</b>	<b>(30,155)</b>

### 18 Cash and cash equivalents

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

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Cash and balances with the Central Bank of the UAE	1,878,052	1,730,980
Due from banks	2,109,467	3,180,599
Due to banks	(1,746,276)	(2,635,582)
	<b>2,241,243</b>	<b>2,275,997</b>
<i>Less:</i> Cash reserve with Central Bank of UAE	(775,769)	(682,668)
<i>Less:</i> Due from Banks with original maturity more than 3 Months	(196,504)	(183,650)
<i>Add:</i> Due to Banks with original maturity more than 3 months	936,615	-
Cash and cash equivalents	<b>2,205,585</b>	<b>1,409,679</b>

For the purpose of 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 (Al Masraf)

## Notes to the condensed interim financial information

### 19 Interest income

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000
Loans and advances to customers	613,376	552,388	214,506	195,821
Investment securities	41,248	35,874	14,999	12,600
Due from banks	67,302	34,040	20,120	12,576
	<u>721,926</u>	<u>622,302</u>	<u>249,625</u>	<u>220,997</u>

### 20 Interest expense

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000
Customers' deposits	211,168	145,124	73,386	57,124
Due to banks	29,714	14,756	10,380	4,595
	<u>240,882</u>	<u>159,880</u>	<u>83,766</u>	<u>61,719</u>

### 21 Income from Islamic financing contract

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000
Murabaha	43,274	32,609	15,736	13,161
Ijarah	37,922	32,542	12,610	11,118
	<u>81,196</u>	<u>65,151</u>	<u>28,346</u>	<u>24,279</u>

### 22 Depositors' share of profits

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000
Mudaraba, term, and saving Wakala	10 44,969	12 36,788	2 14,979	2 12,388
	<u>44,979</u>	<u>36,800</u>	<u>14,981</u>	<u>12,390</u>

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

## Notes to the condensed interim financial information

### 23 Net fee and commission income

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019	(Unaudited) 2018	(Unaudited) 2019	(Unaudited) 2018
	AED'000	AED'000	AED'000	AED'000
<i>Fees and commission income:</i>				
Letters of credit	43,572	24,232	11,730	9,789
Letters of guarantee	21,534	20,904	5,737	8,307
Retail and corporate lending fees	20,509	18,356	9,794	5,939
Commission on transfers	4,071	1,819	2,053	663
Murabaha Finance	2,201	5,813	204	774
Others	24,633	14,261	7,604	4,741
<b>Total fees and commission income</b>	<b>116,520</b>	<b>85,385</b>	<b>37,122</b>	<b>30,213</b>
<i>Fees and commission expenses:</i>				
Brokerage fees	(1,064)	(615)	(156)	(199)
Handling charges	(764)	(123)	(436)	-
Others	(8,572)	(8,339)	(3,238)	(1,828)
<b>Total fees and commission expense</b>	<b>(10,400)</b>	<b>(9,077)</b>	<b>(3,830)</b>	<b>(2,027)</b>
<b>Net fees and commission income</b>	<b>106,120</b>	<b>76,308</b>	<b>33,292</b>	<b>28,186</b>

### 24 Other operating income

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019	(Unaudited) 2018	(Unaudited) 2019	(Unaudited) 2018
	AED'000	AED'000	AED'000	AED'000
Rental income	14,989	19,421	3,554	5,320
Others	7	103	-	4
<b>Total other operating income</b>	<b>14,996</b>	<b>19,524</b>	<b>3,554</b>	<b>5,324</b>

### 25 General, administrative and other operating expenses

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019	(Unaudited) 2018	(Unaudited) 2019	(Unaudited) 2018
	AED'000	AED'000	AED'000	AED'000
Staff costs	139,491	127,821	51,025	42,814
Depreciation	21,021	16,934	7,647	5,826
Board of Directors expenses	10,835	9,300	3,401	3,713
Other operating expenses	34,700	37,052	7,562	16,704
<b>Total general, administrative and other operating expenses</b>	<b>206,047</b>	<b>191,107</b>	<b>69,635</b>	<b>69,057</b>

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

## Notes to the condensed interim financial information

### 26 Net impairment charge on financial assets

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000	(Unaudited) 2019 AED'000	(Unaudited) 2018 AED'000
Collective impairment for loans and advances	21,506	8,827	-	-
Collective impairment on due from Banks	-	-	-	-
Specific provision for loans and advances	94,740	87,526	46,443	66,808
Recovery of loan loss provisions	(26,187)	(29,755)	(13,680)	(1,367)
Recovery of loans previously written-off	(6,817)	(23,818)	(5,262)	(15,884)
	<u>83,242</u>	<u>42,780</u>	<u>27,501</u>	<u>49,557</u>

### 27 Commitments and contingent liabilities

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

	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Letters of credit	3,191,107	2,876,345
Letters of guarantee	4,778,109	4,568,167
	<u>7,969,216</u>	<u>7,444,512</u>

### 28 Related party transactions

#### Identity of related parties

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

	Shareholding percentage	
	30 September 2019	31 December 2018
Emirates Investment Authority	42.28%	42.28%
Libyan Foreign Bank	42.28%	42.28%
Banque Exterieur d'Algerie	15.44%	15.44%

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

## Notes to the condensed interim financial information

### 28 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 2019 AED'000	(Audited) 31 December 2018 AED'000	(Unaudited) 30 September 2019 AED'000	(Audited) 31 December 2018 AED'000
Loans and advances	15,949	33,245	4,194	4,515
Deposits	24,050	22,355	2,431,805	3,818,837
Commitments and contingencies	-	-	2,044,090	2,152,075
Transactions:	Key management personnel		Others	
	(Unaudited) 30 September 2019 AED'000	(Unaudited) 30 September 2018 AED'000	(Unaudited) 30 September 2019 AED'000	(Unaudited) 30 September 2018 AED'000
Board of Directors' remuneration	9,000	7,640	-	-
Salaries and benefits	13,020	13,340	-	-
Post-employment benefits	1,028	1,133	-	-
Interest income	867	895	-	-
Interest expense	436	317	37,145	36,203
Fee and commission	-	-	1,022	2,214
Dividend paid	-	-	150,000	150,000

Loans and advances granted to key management personnel are repayable over one year and bear interest rates ranging between 4% and 7%. Deposits for other related parties include fixed deposits under lien amounted AED 1,102 million (31 December 2018: AED 1,041 million). No collateral is under lien on loans and advances to key management personnel. No provisions have been passed against these loans and advances.

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

## Notes to the condensed interim financial information

### 29 Basic and diluted earnings per share

	For the nine months ended 30 September		For the three months ended 30 September	
	(Unaudited) 2019	(Unaudited) 2018	(Unaudited) 2019	(Unaudited) 2018
Profit for the period (AED'000)	<b>376,331</b>	380,091	<b>125,827</b>	104,951
Weighted average number of ordinary shares	<b>75,000</b>	75,000	<b>75,000</b>	75,000
Earnings per share (AED'000)	<b>5.02</b>	5.07	<b>1.68</b>	1.40

There were no potentially dilutive securities as at 30 September 2019 or 30 September 2018, and accordingly, diluted earnings per share are the same as basic earnings per share.