

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

Financial statements

31 December 2009

Arab Bank for Investment and Foreign Trade PJSC

Financial statements

<i>Contents</i>	<i>Page</i>
Board of Directors' report	
Independent auditors' report	1
Statement of financial position	2
Statement of comprehensive income	3
Statement of cash flows	4
Statement of changes in equity	5
Notes to the financial statements	6

Independent auditors' report

The Shareholders
Arab Bank for Investment and Foreign Trade PJSC

Report on the financial statements

We have audited the accompanying financial statements of Arab Bank for Investment and Foreign Trade PJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2009, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2009, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Articles of Association of the Bank and the UAE Federal Law No. 8 of 1984 (as amended).

Report on other legal and regulatory requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit, that proper financial records have been maintained by the Bank and that the contents of the Board of Directors' report which relate to these financial statements are in agreement with the Bank's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2009 which may have had a material adverse effect on the business of the Bank or its financial position.

KPMG
Munther Dajani
Registration No. 268

21 February 2010

Arab Bank for Investment and Foreign Trade PJSC

Statement of financial position

As at 31 December

		2009	2008
	<i>Note</i>	AED'000	AED'000
Assets			
Cash and balances with the			
Central Bank of the UAE	7	614,854	291,498
Due from banks	8	2,456,393	3,570,490
Trading investments	9	46,536	39,688
Investment properties under development	10	1,191,233	1,057,610
Loans and advances	11	6,785,737	7,093,201
Non-trading investments	12	49,634	47,857
Acceptances and other assets	13	1,114,484	1,569,154
Premises and equipment	14	70,114	80,743
Total assets		12,328,985	13,750,241
Liabilities			
Customers' deposits	15	5,931,766	5,821,088
Due to banks	16	2,343,873	3,906,544
Acceptances and other liabilities	17	1,075,981	1,281,287
Total liabilities		9,351,620	11,008,919
Equity			
Share capital	18	1,500,000	1,500,000
Statutory reserve	18	293,343	251,920
Special reserve	18	288,754	247,331
General reserve	18	380,000	380,000
Revaluation reserve	18	10,399	8,577
Retained earnings		504,869	353,494
Total equity		2,977,365	2,741,322
Total liabilities and equity		12,328,985	13,750,241

Dr. Abdul Hafid M.Zlitni
Chairman

Mohamed Saif Al Suwaidi
Vice Chairman

Ibrahim N. Lootah
General Manager

The notes 1 to 31 are an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Statement of comprehensive income

For the year ended 31 December

	Note	2009 AED'000	2008 AED'000
Interest income	19	602,339	569,605
Interest expense	20	(154,434)	(247,311)
Net interest income		447,905	322,294
Fee and commission income		172,116	171,585
Fee and commission expense		(2,823)	(3,259)
Net fee and commission income	21	169,293	168,326
Net investment gain / (loss)	22	15,034	(96,436)
Net foreign exchange gain	23	17,948	30,698
Other operating income		14,539	13,124
		47,521	(52,614)
Operating income		664,719	438,006
General, administration and other operating expenses	24	(138,510)	(130,349)
Profit before net impairment charge		526,209	307,657
Net impairment charge on financial assets	25	(111,988)	(12,134)
Profit for the year		414,221	295,523
Adjustment considered in the statement of changes in equity:			
Change in the fair value of available-for-sale financial assets		1,822	(13,036)
Total comprehensive income for the year		416,043	282,487
Total comprehensive income for the period attributable to:			
Controlling interest		416,043	282,487
Basic and diluted earnings per share	30	5.52	3.94

The notes 1 to 31 are an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Statement of cash flows

For the year ended 31 December

	Note	2009 AED'000	2008 AED'000
Cash flows from operating activities			
Profit for the year		414,221	295,523
<i>Adjustments for:</i>			
Depreciation	14	12,651	13,611
Provision for impairment on loans and advances	24	119,923	38,939
Provision for impairment on investments	24	1,377	1,699
Unrealised (gain) / loss on valuation of trading investments		(8,851)	105,135
Non-cash adjustment for non-trading investments		143	153
		<u>539,464</u>	<u>455,060</u>
Change in due from banks		1,344,716	(1,557,050)
Change in loans and advances, net		187,541	(3,153,964)
Change in acceptances and other assets		454,670	(820,560)
Change in customers' deposits		110,678	1,486,310
Change in due to banks		(338,257)	487,403
Change in acceptances and other liabilities		(205,306)	603,809
		<u>2,093,506</u>	<u>(2,498,992)</u>
Cash flows from investing activities			
Purchase of investment properties under development	10	(133,622)	(713,444)
Purchase of premises and equipment	14	(2,023)	(10,615)
Purchase of non-trading investments		(98)	(11,019)
Purchase of trading investments		626	(15,076)
		<u>(135,117)</u>	<u>(750,154)</u>
Cash flows from financing activities			
Cash dividends paid	18	(180,000)	(180,000)
		<u>(180,000)</u>	<u>(180,000)</u>
Net increase / (decrease) in cash and cash equivalents			
		1,778,389	(3,429,146)
Cash and cash equivalents at 1 January		(1,845,951)	1,583,195
Cash and cash equivalents at 31 December	26	<u>(67,562)</u>	<u>(1,845,951)</u>

The notes 1 to 31 are an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Statement of changes in equity

For the year ended 31 December

	Share capital AED'000	Statutory reserve AED'000	Special reserve AED'000	General reserve AED'000	Revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2008	1,500,000	222,368	217,779	380,000	21,613	297,075	2,638,835
Net movement in revaluation reserve	-	-	-	-	(13,036)	-	(13,036)
Profit for the year	-	-	-	-	-	295,523	295,523
Cash dividends paid (<i>note 18</i>)	-	-	-	-	-	(180,000)	(180,000)
Transfer to reserves	-	29,552	29,552	-	-	(59,104)	-
Balance at 31 December 2008	1,500,000	251,920	247,331	380,000	8,577	353,494	2,741,322
Balance at 1 January 2009	1,500,000	251,920	247,331	380,000	8,577	353,494	2,741,322
Net movement in revaluation reserve	-	-	-	-	1,822	-	1,822
Profit for the year	-	-	-	-	-	414,221	414,221
Cash dividends paid (<i>note 18</i>)	-	-	-	-	-	(180,000)	(180,000)
Transfer to reserves	-	41,423	41,423	-	-	(82,846)	-
Balance at 31 December 2009	1,500,000	293,343	288,754	380,000	10,399	504,869	2,977,365

The notes 1 to 31 are an integral part of these financial statements.

The independent auditors' report is set out on page 1.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

1 Legal status and principal activities

Arab Bank for Investment and Foreign Trade PJSC (the “Bank”) was incorporated in Abu Dhabi by Union Decree No. 50 of 1976. It is registered as a Public Joint Stock Company in accordance with Federal Law No (8) of 1984 (as amended).

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

The registered office of the Bank is at P O Box 46733 Abu Dhabi, United Arab Emirates.

These financial statements were approved by the Board of Directors on _____.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and the requirements of UAE Federal Law No. 8 of 1984 (as amended).

(b) Basis of measurement

These financial statements are prepared under the historical cost basis except for the following:

- derivative financial instruments which are measured at fair value;
- trading investments at fair value through profit or loss which are measured at fair value; and
- non-trading investments classified as available for sale which are measured at fair value.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

2 Basis of preparation *(continued)*

(c) Functional and presentation currency

These financial statements are presented in United Arab Emirates Dirhams (“AED”), which is the Bank’s functional currency. Except as indicated, information presented in AED has been rounded to the nearest thousand.

(d) Use of estimates and judgements

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in notes 4 and 5.

(e) Changes in accounting policies

Starting 1 January 2009, the Bank has changed its accounting policies in the following area:

- Presentation of financial statements
- Amendments to IFRS 7

(i) Presentation of financial statements

The Bank applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Bank presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(ii) Amendments to IFRS 7

The amendments which became effective as of 1 January 2009 require disclosures of financial instruments measured at fair value to be based on a three-level fair value hierarchy that reflects the significance of the inputs in such fair value measurements. The amendments also require additional qualitative and quantitative disclosures of liquidity risk.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all reporting periods presented in these financial statements.

(a) Financial assets and liabilities

(i) Recognition

The Bank initially recognises loans and advances and customers' deposits on the date that they are originated. All other financial assets and liabilities are initially recognised on the statement of financial position when, the Bank becomes a party to the contractual provisions of the instrument.

All *regular way* purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to or received from the counterparty. *Regular way* purchases or sales of financial assets are those that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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

The Bank uses the weighted average method to determine realised gains and losses on derecognition.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible (*see note 4 (b)*).

(iii) Designation at fair value through profit or loss

The Bank has designated financial assets at fair value through profit or loss and classified these as held for trading when:

- acquired for the purpose of reselling it in the near term; and
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

(iv) Designation as available-for-sale

The Bank has non-derivative financial assets designated as available-for-sale when these are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Note 6 sets out the amount of each class of financial asset or liability as per the designation.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies *(continued)*

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

(v) *Offsetting*

Financial assets and liabilities are set off and the net amount reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and intends to settle either on a net basis, or to realise the asset and settle the liability simultaneously.

(vi) *Amortised cost measurement*

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method.

(vii) *Fair value measurement*

The determination of fair values of financial assets and liabilities is based on quoted market prices or dealer quotations for financial instruments traded in active markets. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis. Quoted bid prices are used for financial assets and quoted ask prices are used for financial liabilities. For financial instruments not traded on an active market, fair value is determined based on recent transactions, brokers' quotes or a valuation technique. The Bank uses widely recognised valuation models for determining the fair value of derivative financial instruments such as interest and currency swaps.

Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same and discounted cash flow analyses. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies *(continued)*

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

(viii) Identification and measurement of impairment

An assessment is made at each reporting date and periodically during the year to determine whether there is any objective evidence that financial assets, not carried at fair value through profit or loss, are impaired. Financial assets are impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the bank, or economic conditions that correlate with defaults in the bank. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Bank considers evidence of impairment at both a specific asset and at a collective level. All individually significant assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar credit risk characteristics.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount and the present value of estimated cash flows discounted at the original effective interest rate. Impairment losses are recognised in the income statement and reflected in an allowance account against such financial assets. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

Impairment losses on available for sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of equity to the income statement. When a subsequent event causes the amount of impairment loss on available-for-sale debt security to decrease, the impairment loss is reversed through income statement.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies *(continued)*

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

(viii) Identification and measurement of impairment (continued)

Impairment losses on an unquoted equity instrument that is carried at cost because its fair value cannot be reliably measured, is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(b) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash, balances with central banks and due from banks with original maturities of less than three months, which are subject to insignificant risk of changes in fair value, and are used by the Bank in the management of its short-term commitments.

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

(c) Due from banks

These are stated at amortised cost, less any allowance for impairment.

(d) Loans and advances

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

These are initially recognised at fair value (being the transaction price at inception) plus incremental direct transaction costs and subsequently measured at amortised cost using the effective interest method net of interest suspended and provisions for impairment.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies *(continued)*

(e) Non-trading investments

Non-trading investments are classified as available-for-sale and are initially recognised at fair value plus incremental transaction costs directly attributable to the acquisition.

After initial recognition, these investments are re-measured at fair value. Unrealised gains or losses are reported as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity, is included in the income statement for the period.

For the purpose of recognising foreign exchange gains and losses, a monetary available-for-sale financial asset is treated as if it were carried at amortised cost in the foreign currency. Accordingly, for such a financial asset, exchange differences are recognised in the income statement.

For unquoted equity investments where fair value cannot be reliably measured, these are carried at cost less provision for impairment in value. Upon subsequent derecognition, the profit or loss on sale is recognised in the income statement for the period.

(f) Premises and equipment

(i) *Recognition and measurement*

All items of premises and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Capital projects in progress are initially recorded at cost, and upon completion are transferred to the appropriate category of premises and equipment and thereafter depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies (*continued*)

(f) Premises and equipment (*continued*)

(ii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of all premises and equipment. Freehold land and capital work-in-progress are not depreciated.

The estimated useful lives of assets for the current and comparative year were as follows:

Buildings	30 years
Furniture and equipment	3 – 4 years
Motor vehicles	3 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

(iii) Impairment

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement to the extent that carrying values exceed the recoverable amounts.

(g) Investment property under development

Land and properties that are being developed for future use as investment property are classified as investment property under development and stated at cost incurred to date, until development is complete, at which time they are reclassified and accounted for as investment property.

(h) Customers' deposits and due to banks

Customers' deposits and due to banks are initially recognised at their fair value plus transaction costs and subsequently measured at their amortised cost using the effective interest method.

(i) Interest income and expense

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies (*continued*)

(j) Fee and commission

The Bank earns fee and commission income from a diverse range of services provided to its customers. Recognition of revenue for fee and commission income depends on the purposes for which the fees are assessed and the basis of accounting for the associated financial instrument. Fee and commission income is accounted for as follows:

- income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate (for example, loan commitment fees) and recorded in “interest income”;
- income earned from the provision of services is recognised as revenue as the services are provided (for example, loan processing fees, investment management fees and loan syndication fees); and
- interest earned on the execution of a significant act is recognised as revenue when the act is completed (for example, commission on the allotment of shares to a client, placement fees for arranging a loan between the borrower and an investor).

Fees and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

(k) Net investment income

Net investment income comprise gains less losses relating to realised and unrealised gains and losses on trading investments, realised gains and losses on non-trading investments and dividend income. Dividend income is recognised when the right to receive payment is established.

(l) Foreign currency

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at rates of exchange at the reporting date. Resulting gains and losses are taken to the income statement.

(m) Derivative financial instruments

Derivatives are initially recognised, and subsequently measured at fair value with transaction costs taken directly to the income statement. The fair value of a derivative is the equivalent of the unrealised gain or loss from marking to market the derivative or using valuation techniques, mainly discounted cash flow models.

(n) Provisions

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies (*continued*)

(o) Staff terminal benefits

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

An actuarial valuation has not been performed on employees' end of service benefits as the net impact of the discount rate and future salary and benefit levels on the present value of the benefits obligation are not likely to be significant.

(p) Financial guarantees

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when due in accordance with the contractual terms.

Financial guarantees are initially recognised at their fair value, (which is the premium received on issuance). The received premium is amortised over the life of the financial guarantee. The guarantee liability (the notional amount) is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). The premium received on these financial guarantees is included within other liabilities.

(q) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

(r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009, and have not been applied in preparing these financial statements:

Amended IAS 24 Related Party Disclosures (revised 2009) – The revised IAS 24 *Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment is effective for annual periods beginning on or after 1 January 2011, with retrospective application required. The amendment will have no effect on the Bank's reported results or financial position.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

3 Significant accounting policies (*continued*)

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

IFRS 9 *Financial Instruments* – published on 12 November 2009 as part of phase I of the IASB’s comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Bank is currently in the process of evaluating the potential effect of this standard. Given the nature of the Bank’s operations, this standard is expected to have a pervasive impact on the Bank’s financial statements.

4 Financial risk management

(a) Introduction and overview

The Bank has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

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

Risk management framework

The Board of Directors (the “Board”) has overall responsibility for the establishment and oversight of the Bank’s risk management framework.

The Board has entrusted the risk management with a number of managers to set-up and monitor the Bank’s credit, operational and market risks, to take credit decisions above management’s discretionary powers and to set market risk limits under which the Bank’s management operates.

The risk management team has further set up from within management, an Assets and Liabilities Committee (ALCO) and an Operational Risk Committee which are responsible for developing and monitoring Bank’s risk management policies in their specified areas.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(a) Introduction and overview *(continued)*

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly, on an ongoing basis, to reflect changes in market conditions, products and services offered.

The Bank's Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework. The Bank's Audit Committee is assisted in these functions by the Inspection Department.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a financial asset fails to meet its contractual obligations and cause the Bank to incur a financial loss. It arises principally from the Bank's loans and advances, due from banks and non-trading investments.

For risk management purposes, credit risk arising on trading investments is managed independently, but reported as a component of market risk exposure.

Management of credit risk

The Bank's credit risk management framework includes:

- Establishment of authorisation structure and limits for the approval and renewal of credit facilities;
- Reviewing and assessing credit exposures in accordance with authorisation structure and limits, prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;
- Diversification of lending and investment activities;
- Limiting concentrations of exposure to industry sectors, geographic locations and counterparties; and
- Reviewing compliance, on an ongoing basis, with agreed exposure limits relating to counterparties, industries and countries and reviewing limits in accordance with risk management strategy and market trends.

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

In addition, the Bank manages the credit exposure by obtaining security where appropriate and limiting the duration of exposure. In certain cases, the Bank may also close out transactions or assign them to other counterparties to mitigate credit risk. Credit risk in respect of derivative financial instruments; if any, is limited to those with positive fair values.

Regular audits of business units and Bank credit processes are undertaken by the Inspection Department.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management (continued)

(b) Credit risk (continued)

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.

	Due from Banks		Loans and advances		Non-trading investments	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Carrying amount	2,456,393	3,570,490	6,785,737	7,093,201	49,634	47,857
Individually impaired						
Substandard	-	-	413,322	334,620	16,814	12,409
Doubtful	-	-	1,219,274	1,168,405	-	-
Loss	-	-	229,063	101,919	-	-
Gross amount	-	-	1,861,659	1,604,944	16,814	12,409
Specific impairment allowance	-	-	(503,396)	(441,584)	(11,532)	(11,497)
Interest suspended	-	-	(1,005,174)	(853,440)	-	-
Carrying amount	-	-	353,089	309,920	5,282	912
Past due but not impaired						
Carrying amount of overdue by less than 90 days*	-	-	1,969	7,269	-	-
Neither past due nor impaired	2,456,393	3,570,490	6,514,108	6,809,975	44,352	46,945
<i>Includes accounts with renegotiated terms</i>	-	-	377,197	47,600	-	-
Collective impairment allowance	-	-	(83,429)	(33,963)	-	-
Carrying amount	2,456,393	3,570,490	6,785,737	7,093,201	49,634	47,857

* The Bank's policy is to classify loans and advances past due for more than 90 days as substandard, which comply with the Central Bank of the UAE requirements.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management (*continued*)

(b) Credit risk (*continued*)

Impaired loans and advances and non-trading investments

Impaired loans and advances and non-trading investments are financial assets for which the Bank determines that it is probable that the Bank will be unable to collect all principal and interest due according to the contractual terms of the agreements. The Bank financial assets that are neither past due nor impaired mainly fall within the grade 3-4 in accordance with the Bank's internal credit risk grading system.

Past due but not impaired loans and non-trading investments

Past due but not impaired loans and investments, other than those carried at fair value through profit and loss, are those for which contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Group.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in borrower's financial position and where the Bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for Banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Bank writes off a loan / investment balance (and any related allowances for impairment) when the management determines that the loans / investments are uncollectible. This is determined after all possible efforts of collecting the amounts have been exhausted.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Collateral

The Bank holds collateral against loans and advances in the form of mortgage interests over property, vehicles and other securities over assets and guarantees. The Bank accepts guarantees mainly from well-reputed local or international banks, well-established local or multinational large corporate and high net-worth private individuals. Collateral is not held against non-trading investments and due from banks.

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

	2009	2008
	AED'000	AED'000
<i>Against individually impaired</i>		
Property	106,600	115,700
Equities	3,652	2,957
Others	146,637	145,246
<i>Against past due but not impaired</i>		
Property	233,360	87,114
Equities	1,464	1,160
	491,713	352,177

During 2009, the Bank did not take possession of any collateral held as security against loans and advances.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

The Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Loans and advances	
	2009 AED'000	2008 AED'000
Carrying amount	6,785,737	7,093,201
<i>Concentration by industry sector</i>		
Agriculture	49,195	36,274
Energy	11	57,365
Mining and quarrying	309,305	-
Manufacturing	238,027	393,326
Construction	929,974	705,314
Real estate	1,605,372	1,120,867
Trading	3,116,311	4,875,670
Transport	98,562	287,453
Financial institutions	245,544	250,000
Services	476,694	39,066
Government	124,351	37,821
Personal loans for consumption	237,125	323,014
Personal loans for business	40,126	37,821
Others	907,139	258,197
	8,377,736	8,422,188
Less: interest suspended	(1,005,174)	(853,440)
Less: allowance for impairment	(586,825)	(475,547)
Carrying amount	6,785,737	7,093,201

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management (continued)

(b) Credit risk (continued)

	Due from banks		Non-trading investments	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
Carrying amount	2,456,393	3,570,490	49,634	47,857
<i>Concentration by sector</i>				
Public sector	-	-	4,068	1,377
Private sector	-	-	57,098	57,977
Financial institution	2,456,393	3,570,490	-	-
	2,456,393	3,570,490	61,166	59,354
Less: allowance for impairment	-	-	(11,532)	(11,497)
Carrying amount	2,456,393	3,570,490	49,634	47,857

	Due from banks		Loans and advances		Non-trading investments	
	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000	2009 AED'000	2008 AED'000
<i>Concentration by location</i>						
UAE	1,616,159	1,600,954	6,657,794	6,983,838	-	-
Europe	299,558	802,574	-	-	2,332	1,378
Arab world	514,196	959,210	124,351	105,957	28,582	28,562
North America	13,077	31,844	-	-	-	-
Asia	13,403	175,908	-	-	11,019	11,019
Others	-	-	3,592	3,406	7,701	6,898
	2,456,393	3,570,490	6,785,737	7,093,201	49,634	47,857

Concentration by location for loans and advances and due from banks is measured based on the residential status of the borrower. Concentration by location for non-trading investments is measured based on the location of the issuer of the security.

Loans and advances renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of management, indicate that payment will most likely continue. These policies are kept under continuous review.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(b) Credit risk *(continued)*

Settlement risk

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

Derivative related credit risk

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favourable to the Bank, which are included in other assets. The positive market value is also referred to as the "replacement cost" since it is an estimate of what it would cost to replace transactions at prevailing market rates if a counterparty defaults. The majority of the Bank's derivative contracts are entered into with other financial institutions.

Commitments and contingencies related credit risk

Credit risk arising from commitments and contingencies is discussed in note 26.

(c) Liquidity risk

Liquidity or funding risk is the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately.

Management of liquidity risk

The Bank's approach to managing liquidity risk is to ensure that, management has diversified funding sources and closely monitors liquidity to ensure adequate funding. The Bank maintains a portfolio of short-term liquid assets, largely made up of short-term liquid trading investments, and inter-bank placements. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee ("ALCO").

Exposure to liquidity risk

The key measure used by the Bank for measuring liquidity risk is the ratio of net liquid assets, i.e. total assets by maturity against total liabilities by maturity.

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The maturity profile of the assets and liabilities at 31 December 2009 was as follows:

	Unspecified maturity AED'000	Up to 3 months AED'000	3 month to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with UAE Central Bank	614,854	-	-	-	-	614,854
Due from banks	41,043	2,132,685	282,665	-	-	2,456,393
Trading investments	46,536	-	-	-	-	46,536
Investment properties under development	1,191,233	-	-	-	-	1,191,233
Loans and advances	-	3,082,460	1,759,332	1,401,163	542,782	6,785,737
Non-trading investments	-	-	294	-	49,340	49,634
Acceptances and other assets	164,412	86,995	863,077	-	-	1,114,484
Premises and equipment	70,114	-	-	-	-	70,114
Total assets	2,128,192	5,302,140	2,905,368	1,401,163	592,122	12,328,985
Liabilities and equity						
Customers' deposits	3,880,691	2,034,546	16,529	-	-	5,931,766
Due to banks	292,798	2,034,546	16,529	-	-	2,343,873
Acceptances and other liabilities	125,909	86,995	863,077	-	-	1,075,981
Equity	2,977,365	-	-	-	-	2,977,365
Total liabilities and equity	7,276,763	4,156,087	896,135	-	-	12,328,985

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The maturity profile of the assets and liabilities at 31 December 2008 was as follows:

	Unspecified maturity AED'000	Up to 3 months AED'000	3 month to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Total AED'000
Assets						
Cash and balances with UAE Central Bank	17,521	273,977	-	-	-	291,498
Due from banks	63,313	1,849,347	1,657,830	-	-	3,570,490
Trading investments	39,688	-	-	-	-	39,688
Investment properties under development	1,057,610	-	-	-	-	1,057,610
Loans and advances	-	3,534,997	1,421,212	1,464,948	672,044	7,093,201
Non-trading investments	-	-	288	288	47,281	47,857
Acceptances and other assets	149,250	330,000	1,089,904	-	-	1,569,154
Premises and equipment	80,743	-	-	-	-	80,743
Total assets	1,408,125	5,988,321	4,169,234	1,465,236	719,325	13,750,241
Liabilities and equity						
Customers' deposits	2,151,007	2,323,225	1,346,856	-	-	5,821,088
Due to banks	218,907	3,393,797	293,840	-	-	3,906,544
Acceptances and other liabilities	21,760	169,623	1,089,904	-	-	1,281,287
Equity	2,741,322	-	-	-	-	2,741,322
Total liabilities and equity	5,132,996	5,886,645	2,730,600	-	-	13,750,241

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The previous table shows undiscounted cash flows on the Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity. The Bank's expected cash flows may vary from this analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance.

(d) Market risk

Market risk is the risk that the Bank's income and / or value of a financial instrument will fluctuate because of changes in market prices such as interest rates, foreign exchange rates and market prices of equity.

Management of market risk

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

Interest rate risk

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

Overall interest rate risk positions are managed by the Bank's treasury, which uses derivative instruments to manage overall position arising from the Bank's interest bearing financial instruments. The use of derivatives to manage interest rate risk is described in note 27.

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

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial risk management (continued)

(d) Market risk (continued)

The Bank's interest rate sensitivity position and interest rate gap position based on contractual re-pricing arrangements at 31 December 2009 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non interest bearing AED'000
Assets						
Cash and balances with UAE Central Bank	614,854	-	-	-	-	614,854
Due from banks	2,456,393	2,132,685	282,665	-	-	41,043
Trading investments	46,536	-	-	-	-	46,536
Investment property under development	1,191,233	-	-	-	-	1,191,233
Loans and advances	6,785,737	6,785,737	-	-	-	-
Non-trading investments	49,634	-	288	-	1,168	48,178
Acceptances and other assets	1,114,484	-	-	-	-	1,114,484
Premises and equipment	70,114	-	-	-	-	70,114
Total assets	12,328,985	8,918,422	282,953	-	1,168	3,126,442
Liabilities and equity						
Customers' deposits	5,931,766	2,209,780	1,468,745	-	-	2,253,241
Due to banks	2,343,873	2,034,546	16,529	-	-	292,798
Acceptances and other liabilities	1,075,981	-	-	-	-	1,075,981
Equity	2,977,365	-	-	-	-	2,977,365
Total liabilities and equity	12,328,985	4,244,326	1,485,274	-	-	6,599,385
On statement of financial position gap	-	4,674,096	(1,202,321)	-	1,168	(3,472,943)
Total interest rate sensitivity gap	-	4,674,096	(1,202,321)	-	1,168	(3,472,943)
Cumulative interest rate sensitivity	-	4,674,096	3,471,775	3,471,775	3,472,943	-

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial Risk Management (continued)

(d) Market risk (continued)

The Bank's interest rate sensitivity position and interest rate gap position based on contractual re-pricing arrangements at 31 December 2008 was as follows:

	Total AED'000	Up to 3 months AED'000	3 months to 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	Non interest bearing AED'000
Assets						
Cash and balances with UAE Central Bank	291,498	-	-	-	-	291,498
Due from banks	3,570,490	1,849,347	1,657,830	-	-	63,313
Trading investments	39,688	-	-	-	-	39,688
Investment property under development	1,057,610	-	-	-	-	1,057,610
Loans and advances	7,093,201	7,093,201	-	-	-	-
Non-trading investments	47,857	-	288	1,240	1,168	45,161
Acceptances and other assets	1,569,154	330,000	-	-	-	1,239,154
Premises and equipment	80,743	-	-	-	-	80,743
Total assets	13,750,241	9,272,548	1,658,118	1,240	1,168	2,817,167
Liabilities and equity						
Customers' deposits	5,821,088	2,512,732	1,346,856	-	-	1,961,500
Due to banks	3,906,544	3,393,797	293,840	-	-	218,907
Acceptances and other liabilities	1,281,287	-	-	-	-	1,281,287
Equity	2,741,322	-	-	-	-	2,741,322
Total liabilities and equity	13,750,241	5,906,529	1,640,696	-	-	6,203,016
On statement of financial position gap	-	3,366,019	17,422	1,240	1,168	(3,385,849)
Total interest rate sensitivity gap	-	3,366,019	17,422	1,240	1,168	(3,385,849)
Cumulative interest rate sensitivity	-	3,366,019	3,383,441	3,384,681	3,385,849	-

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial Risk Management *(continued)*

(d) Market risks *(continued)*

Interest rate risk is also assessed by measuring the impact of reasonable possible change in interest rate movements. The Bank assumes a fluctuation in interest rates of 75 basis points (2008: 75 basis points) and estimates the following impact on the profit for the year and equity at that date:

	2009 Profit for the year AED'000	2008 Profit for the year AED'000	2009 Equity AED'000	2008 Equity AED'000
Fluctuation in yield	<u>2,604</u>	<u>2,540</u>	<u>22</u>	<u>21</u>

The interest rate sensitivities set out above are illustrative only and employ simplified scenarios. They are based on AED 9,202 million interest bearing assets at year end (2008: AED 10,933 million) and AED 5,730 million interest bearing liabilities at year end (2008: AED 7,547 million). The sensitivity does not incorporate actions that could be taken by management to mitigate the effect of interest rate movements.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Bank's functional currency is the UAE Dirham. As at 31 December 2009, the Bank had the following significant net exposures denominated in foreign currencies:

	Net spot position AED'000	Forward position AED'000	Total 2009 AED'000	Total 2008 AED'000
Currency				
US dollar	(469,195)	232,509	(236,686)	(1,260,310)
Sterling pound	880	-	880	225
Euro	34,365	4,809	39,174	21,794

The exchange rate of AED against the US Dollar is pegged since November 1980 and the Bank's exposure to currency risk is limited to that extent.

Equity price risk

Equity price risk arises from the change in fair values of equity investments. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial Risk Management *(continued)*

(e) Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

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

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

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

(f) Capital management

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

The Bank's objectives when managing capital are:

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

During 2009, the Bank's strategy, which was unchanged from 2008, was to:

- maintain a cash dividend payout to increase capital through retention;
- maintain capital adequacy ratios above the minimum specified by the Central Bank of the UAE and Basel accord guidelines; and
- allocate capital to various businesses in an efficient manner.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial Risk Management *(continued)*

(f) Capital management *(continued)*

In implementing current capital requirements, the Bank calculates its risk asset ratio in accordance with capital adequacy guidelines established by the Central Bank of the UAE prescribing the ratio of total capital to total risk-weighted assets. Furthermore, the Bank also calculates its capital adequacy ratio in accordance with Basel I Accord.

The Bank's regulatory capital adequacy ratios, set by the Central Bank of the UAE at a minimum level of 10%, is analysed into two tiers as follows:

	2009	2008
	AED'000	AED'000
Tier 1 capital		
Ordinary share capital	1,500,000	1,500,000
Retained earnings	504,869	353,494
Statutory and special reserve	582,097	499,251
General reserve	380,000	380,000
	2,966,966	2,732,745
Tier 2 capital		
Fair value reserve for available for sale investments	10,399	8,577
	10,399	8,577
Total capital base	2,977,365	2,741,322
<i>Risk weighted assets:</i>		
On statement of financial position	8,363,116	8,851,707
Off statement of financial position	3,594,438	3,003,512
Risk weighted assets	11,957,554	11,855,219
Risk asset ratio	25%	23%

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

4 Financial Risk Management *(continued)*

(f) Capital management *(continued)*

The Bank's capital adequacy ratio as per Basel I, at a minimum level of 8%, is analysed into two tiers as follows:

	2009	2008
	AED'000	AED'000
Tier 1 capital		
Ordinary share capital	1,500,000	1,500,000
Retained earnings	504,869	353,494
Statutory and special reserve	582,097	499,251
General reserve	380,000	380,000
	2,966,966	2,732,745
Tier 2 capital		
Fair value reserve for available for sale investments	10,399	8,577
Allowance for collective impairment	83,429	33,963
	93,828	42,540
Total capital base	3,060,794	2,775,285
<i>Risk weighted assets:</i>		
On statement of financial position	8,363,116	8,885,670
Off statement of financial position	3,594,438	3,003,512
Risk weighted assets	11,957,554	11,889,182
Risk asset ratio	26%	23%

The Bank has complied with all externally imposed capital requirements for all periods presented.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

5 Use of estimates and judgements

In the process of applying the Bank's accounting policies management has made the following estimates and judgements, which have the most significant effect on the amounts recognised in the financial statements.

(i) Key sources of estimation uncertainty

Impairment charge on loans and advances and investments

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

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

Collective impairment charge on loans and advances

In addition to specific impairment charge against individually impaired assets, the Bank also maintains a collective impairment allowance against portfolios of loans and advances with similar economic characteristics which have not been specifically identified as impaired. In assessing the need for collective impairment charge, management considers concentrations, credit quality, portfolio size and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical and current economic conditions.

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

Financial asset and liability classification

The Bank's accounting policies provide scope for financial assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets as trading investments or non-trading investments (available for sale), the Bank has determined it meets the description as set out in accounting policy 3(a) (iii and iv).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

5 Use of estimates and judgements *(continued)*

(iii) Contingent liability arising from litigations

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

(iv) Determining fair values

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

(v) Valuation of financial instruments

The Bank's accounting policy on fair value measurements is discussed in accounting policy 3 (a) (vii) and note 6.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

6 Financial assets and liabilities

(i) Fair value of financial instruments

All financial assets and liabilities are measured at amortised cost except for trading and non-trading investments 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 such as the discounted cash flow method.

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

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

- Level 1: Quoted market price (unadjusted) in active market for an identical instrument.
- 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; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using unobservable inputs. This category includes all instruments where the valuation technique includes input not based on observable data and the unobservable input have a significant impact on the instrument's valuation.

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 at the reporting date that would have been determined by market participants acting at arm's length.

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

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

6 Financial assets and liabilities (continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2009:

	Trading AED'000	Non-trading AED'000	Loans and advances AED'000	Other amortised cost AED'000	Total carrying amount AED'000
Cash and balances with UAE Central Bank	-	-	614,854	-	614,854
Due from banks	-	-	2,456,393	-	2,456,393
Trading investments	46,536	-	-	-	46,536
Loans and advances	-	-	6,785,737	-	6,785,737
Non-trading investments	-	49,634	-	-	49,634
Acceptances and other assets	-	-	-	1,114,484	1,114,484
	46,536	49,634	9,856,984	1,114,484	11,067,638
Customers' deposits	-	-	-	5,931,766	5,931,766
Due to banks	-	-	-	2,343,873	2,343,873
Acceptances and other liabilities	-	-	-	1,075,981	1,075,981
	-	-	-	9,351,620	9,351,620

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

6 Financial assets and liabilities (continued)

The table below sets out the Bank's classification of each class of financial assets and liabilities and their carrying amounts as at 31 December 2008:

	Trading AED'000	Non-trading AED'000	Loans and advances AED'000	Other amortised cost AED'000	Total carrying amount AED'000
Cash and balances with UAE Central Bank	-	-	291,498	-	291,498
Due from banks	-	-	3,570,490	-	3,570,490
Trading investments	39,688	-	-	-	39,688
Loans and advances	-	-	7,093,201	-	7,093,201
Non-trading investments	-	47,857	-	-	47,857
Acceptances and other assets	-	-	-	1,569,154	1,569,154
	39,688	47,857	10,955,189	1,569,154	12,611,888
Customers' deposits	-	-	-	5,821,088	5,821,088
Due to banks	-	-	-	3,906,544	3,906,544
Acceptances and other liabilities	536	-	-	1,280,751	1,281,287
	536	-	-	11,008,383	11,008,919

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

6 Financial assets and liabilities (continued)

Fair values

(a) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2009	2009	2008	2008
	Carrying	Fair	Carrying	Fair
	amount	value	amount	value
	AED'000	AED'000	AED'000	AED'000
<i>Assets carried at fair value</i>				
Trading investments	46,536	46,536	39,688	39,688
Non-trading investments	49,634	49,634	47,857	47,857
<i>Assets carried at amortised cost</i>				
Cash and balances with the				
UAE Central Bank	614,854	614,854	291,498	291,498
Due from banks	2,456,393	2,456,393	3,570,490	3,570,490
Loans and advances	6,785,737	6,785,737	7,093,201	7,093,201
<i>Liabilities carried at fair value</i>				
Derivatives (other liabilities)	-	-	536	536
<i>Liabilities carried at amortised cost</i>				
Customers' deposits	5,931,766	5,931,766	5,821,088	5,821,088
Due to banks	2,343,873	2,343,873	3,906,544	3,906,544
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) 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 categorised:

	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
As at 31 December 2009				
Trading investments	46,536	-	-	46,536
Non-trading investments	-	49,634	-	49,634
	<u>46,536</u>	<u>49,634</u>	<u>-</u>	<u>96,170</u>
As at 31 December 2008				
Trading investments	39,688	-	-	39,688
Non-trading investments	-	47,857	-	47,857
	<u>39,688</u>	<u>47,857</u>	<u>-</u>	<u>87,545</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

7 Cash and balances with the Central Bank of the UAE

	2009	2008
	AED'000	AED'000
Cash on hand	25,358	20,765
Balances with the Central Bank of the UAE	132,588	(3,244)
Cash reserve deposits	456,908	273,977
	614,854	291,498

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

8 Due from banks

	2009	2008
	AED'000	AED'000
Current, call and notice deposits	41,043	63,313
Fixed deposits	2,415,350	3,507,177
	2,456,393	3,570,490

9 Trading investments

Trading investments comprise investments in local equities traded on recognised stock exchanges.

10 Investment property under development

	2009	2008
	AED'000	AED'000
At 1 January	1,057,611	344,167
Costs incurred	133,622	713,444
At 31 December	1,191,233	1,057,611

The Bank is unable to reliably measure the fair value of investment property under development until development is completed. Accordingly, these are measured at cost until development or construction is completed.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

11 Loans and advances

	2009	2008
	AED'000	AED'000
Gross loans and advances	8,377,736	8,422,188
Less: allowance for impairment	(586,825)	(475,547)
Less: interest suspended	(1,005,174)	(853,440)
Net loans and advances	<u>6,785,737</u>	<u>7,093,201</u>

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

	2009	2008
	AED'000	AED'000
Government sector	124,351	105,957
Financial sector	245,544	21,498
Private sector	7,770,716	7,971,719
Retail sector	237,125	323,014
Gross loans and advances	<u>8,377,736</u>	<u>8,422,188</u>

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

	2009	2008
	AED'000	AED'000
At 1 January	475,547	481,323
Specific provision charge for the year	70,457	19,246
Collective provision charge for the year	49,466	19,693
Recoveries	(5,060)	(25,380)
Amounts written off	(4,702)	(14,346)
Currency translation	1,117	(4,989)
At 31 December	<u>586,825</u>	<u>475,547</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

12 Non-trading investments

	2009	2008
	AED'000	AED'000
Available-for-sale investments		
Gross investments	61,166	59,354
Less: allowance for impairment	(11,532)	(11,497)
	49,634	47,857

Included within gross investments above are unquoted equity investments amounting to AED 11 million (2008: AED 11 million) which are carried at cost as their fair value cannot be reliably measured.

13 Acceptances and other assets

	2009	2008
	AED'000	AED'000
Acceptances	950,072	1,111,664
Interest receivable	134,381	97,460
Sundry debtors and other receivables	30,031	360,030
	1,114,484	1,569,154

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

14 Premises and equipment

	Freehold land AED'000	Buildings AED'000	Furniture equipment and vehicles AED'000	Total AED'000
Cost				
Balance at 1 January 2008	31,765	178,239	45,933	255,937
Acquisitions	-	-	10,615	10,615
Disposals	-	-	(1,041)	(1,041)
Balance at 31 December 2008	<u>31,765</u>	<u>178,239</u>	<u>55,507</u>	<u>265,511</u>
Balance at 1 January 2009	31,765	178,239	55,507	265,511
Acquisitions	-	-	2,023	2,023
Disposals	-	-	(503)	(503)
Balance at 31 December 2009	<u>31,765</u>	<u>178,239</u>	<u>57,027</u>	<u>267,031</u>
Accumulated Depreciation				
Balance at 1 January 2008	-	138,911	33,288	172,199
Charge for the year	-	5,941	7,670	13,611
Disposals	-	-	(1,041)	(1,041)
Balance at 31 December 2008	<u>-</u>	<u>144,852</u>	<u>39,917</u>	<u>184,769</u>
Balance at 1 January 2009	-	144,852	39,917	184,769
Charge for the year	-	5,941	6,710	12,651
Disposals	-	-	(503)	(503)
Balance at 31 December 2009	<u>-</u>	<u>150,793</u>	<u>46,124</u>	<u>196,917</u>
Carrying amounts				
At 1 January 2008	<u>31,765</u>	<u>39,328</u>	<u>12,646</u>	<u>83,739</u>
At 31 December 2008	<u>31,765</u>	<u>33,387</u>	<u>15,591</u>	<u>80,743</u>
At 31 December 2009	<u>31,765</u>	<u>27,446</u>	<u>10,903</u>	<u>70,114</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

15 Customers' deposits

	2009 AED'000	2008 AED'000
<i>By type:</i>		
Notice and time deposits	3,373,833	3,670,081
Current accounts	2,540,446	2,128,258
Savings accounts	17,487	22,749
	<u>5,931,766</u>	<u>5,821,088</u>
<i>By sector:</i>		
Government sector	3,176,947	2,532,105
Public sector	76,730	-
Private sector	2,392,318	2,884,905
Retail sector	285,771	404,078
	<u>5,931,766</u>	<u>5,821,088</u>

16 Due to banks

	2009 AED'000	2008 AED'000
Current, call and notice deposits	292,798	218,907
Fixed deposits	2,051,075	3,687,637
	<u>2,343,873</u>	<u>3,906,544</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

17 Acceptances and other liabilities

	2009	2008
	AED'000	AED'000
Interest payable	27,555	23,590
Acceptances	950,072	1,111,664
Provision for staff terminal benefits	21,820	21,760
Others	76,534	123,737
Negative fair value of derivatives	-	536
	<u>1,075,981</u>	<u>1,281,287</u>

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

	2009	2008
	AED'000	AED'000
Balance at 1 January	21,760	17,421
Provided during the year	1,479	5,670
Paid during the year	(1,419)	(1,331)
	<u>21,820</u>	<u>21,760</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

18 Capital and reserves

Share capital

The authorised, issued and fully paid share capital of the Bank comprises 75,000 ordinary shares of AED 20,000 each (2008: 75,000 shares of AED 20,000 each).

Statutory reserve

In accordance with UAE Commercial Companies Law No. (8) of 1984 (as amended) and the Bank's Articles of Association, 10% of the profit for each year is transferred to a statutory reserve until this reserve equals 50% of the paid-up share capital. The statutory reserve is not available for distribution.

Special reserve

In accordance with Union Law No. 10 of 1980 concerning the Central Bank of the UAE, the Monetary System and the Organisation of Banking, 10% of the profit for each year is transferred to a special reserve until this reserve equals 50% of the paid-up share capital. The special reserve is not available for distribution.

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.

Revaluation reserve

The revaluation reserve includes the cumulative net change in the fair value of non-trading investments, until the investment is derecognised or impaired.

	2009	2008
	AED'000	AED'000
<i>Revaluation reserve – non-trading investments</i>		
Balance at 1 January	8,577	21,613
Net gain / (loss) recognised	1,822	(13,036)
Balance at 31 December	<u>10,399</u>	<u>8,577</u>

Dividends

The Bank paid AED 180 million (2008: AED 180 million) cash dividends in accordance with the Annual General Assembly resolution dated on 22 March 2009.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

19 Interest income

	2009 AED'000	2008 AED'000
Loans and advances to customers	528,564	389,292
Due from banks	73,767	166,812
Certificate of deposits	8	13,501
	<u>602,339</u>	<u>569,605</u>

20 Interest expense

	2009 AED'000	2008 AED'000
Customers' deposits	124,372	132,907
Due to banks	30,062	114,404
	<u>154,434</u>	<u>247,311</u>

21 Net fee and commission income

	2009 AED'000	2008 AED'000
Fee and commission income		
Letters of credit	91,478	87,221
Letters of guarantee	22,851	27,074
Retail and corporate lending fees	13,169	23,679
Commission on transfers	14,990	12,941
Others	29,628	20,670
	<u>172,116</u>	<u>171,585</u>
Fee and commission expense		
Brokerage commission	36	35
Handling charges	1,952	1,863
Other commission	835	1,361
	<u>2,823</u>	<u>3,259</u>
Total fee and commission expense	2,823	3,259
Net fee and commission income	<u>169,293</u>	<u>168,326</u>

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

22 Net investment gain / (loss)

	2009 AED'000	2008 AED'000
Net gain / (loss) from trading investments	8,851	(102,124)
Income from investments	6,183	5,688
	<u>15,034</u>	<u>(96,436)</u>

23 Net foreign exchange gain

	2009 AED'000	2008 AED'000
Trading and retranslation gain	14,933	27,230
Dealings with customers	3,015	3,468
	<u>17,948</u>	<u>30,698</u>

24 General, administration and other operating expenses

	2009 AED'000	2008 AED'000
Staff costs	107,218	97,110
Other general and administration expenses	18,641	19,628
Depreciation	12,651	13,611
	<u>138,510</u>	<u>130,349</u>

The number of employees as at 31 December 2009 was 288 employees (2008: 296 employees).

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

25 Net impairment charge on financial assets

	2009	2008
	AED'000	AED'000
Provision for impairment on:		
- loans and advances (note 10)	(119,923)	(38,939)
- investments	(1,377)	(1,699)
Recoveries	9,312	28,504
	(111,988)	(12,134)

26 Cash and cash equivalents

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

	2009	2008
	AED'000	AED'000
Cash and balances with the Central Bank	614,854	291,498
Due from banks	1,367,487	1,136,868
Due to banks	(2,049,903)	(3,274,317)
Cash and cash equivalents	(67,562)	(1,845,951)

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

27 Commitments and contingencies

	2009	2008
	AED'000	AED'000
Letters of credit	4,461,773	4,143,350
Letters of guarantee	3,013,996	2,666,110
	<u>7,475,769</u>	<u>6,809,460</u>

Commitments at the reporting date are shown below:

	2009	2008
	AED'000	AED'000
Un-drawn commitments to extend credit	4,326,280	2,700,000
Commitment for future capital expenditure	34,804	153,074
Commitments to extend financial guarantees	460,000	2,750,000
	<u>4,821,084</u>	<u>5,603,074</u>
Total commitments and contingencies	<u><u>12,296,853</u></u>	<u><u>12,412,534</u></u>

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

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

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

28 Derivative financial instruments

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. Derivative financial instruments include forwards and swaps and options.

Forwards and futures contracts are commitments to either purchase or sell foreign currencies, commodities or financial instruments at a specified future date for a specified price.

Swaps are the agreements between the Bank and other parties to exchange future cash flows based upon agreed notional amounts.

Derivatives are measured at fair value by reference to published price quotations in an active market or counterparty prices or valuation techniques such as discounted cash flows.

The table below shows the positive and negative fair values of derivative financial instruments, which are equivalent to their fair values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	Less than three months AED'000	Three months to one year AED'000
2009					
<i>Held for trading:</i>					
Foreign exchange forwards	<u>7,708</u>	<u>5,814</u>	<u>274,118</u>	<u>171,093</u>	<u>103,035</u>
2008					
<i>Held for trading:</i>					
Foreign exchange forwards	<u>1,086</u>	<u>12,886</u>	<u>433,452</u>	<u>240,755</u>	<u>192,697</u>

Derivatives held for trading

The Bank uses derivatives to manage its exposure to foreign currency. The instruments used mainly include currency forwards. The fair values of those derivatives are shown in the above table.

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

29 Related parties

Identity of related parties

Related parties comprise major shareholders, directors and key management of the Bank and their related concerns. The terms of these transactions are approved by the Bank's management and are made on terms agreed by the Board of Directors.

Balances with related parties at the reporting date are shown below:

	Major shareholders AED'000	Directors and key management AED'000	2009 Total AED'000	2008 Total AED'000
Loans and advances	-	958	958	3,000
Customers' deposits	1,594,359	13,655	1,608,014	3,210,660
Commitments and contingencies	1,208,332	-	1,208,332	443,100

Interest rate charged to major shareholders and key management personnel on loans and advances ranged between 5% to 6% (2008: 5% to 6%) and 5% to 6% (2008: 3% to 5%) respectively.

Transactions carried out during the year with related parties are shown below:

	Major shareholders AED'000	Directors and key management AED'000	2009 Total AED'000	2008 Total AED'000
Fee and commission income	-	-	-	6,273
Interest income	-	209	209	625
Interest expense	62,602	181	62,783	65,025

Key management personnel compensation and directors' remuneration are shown below:

	2009 AED'000	2008 AED'000
Short-term employment benefits	14,257	8,500
Post-employment benefits	913	1,607
Key management personnel compensation	15,170	10,107
Directors' remuneration	1,276	1,207

Arab Bank for Investment and Foreign Trade PJSC

Notes to the financial statements

30 Earnings per share

Basic and diluted earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding calculated as follows:

	2009	2008
Profit for the year (AED '000)	414,221	295,523
Weighted average number of ordinary shares ('000s)	75	75
Basic and diluted earnings per share (AED'000)	5.52	3.94

31 Comparative figures

Comparative figures have been reclassified to conform to the presentation for the current year.