

Arab Banking Corporation (B.S.C.)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2023 (REVIEWED)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ARAB BANKING CORPORATION (B.S.C.)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Banking Corporation (B.S.C.) [the "Bank"] and its subsidiaries [together the "Group"] as at 30 September 2023, comprising of the interim consolidated statement of financial position as at 30 September 2023 and the related interim consolidated statements of profit or loss and comprehensive income for the three-month period and nine-month period then ended, and interim consolidated statements of cash flows and changes in equity for the nine-month period then ended, and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



13 November 2023
Manama, Kingdom of Bahrain

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2023 (Reviewed)

All figures in US\$ Million

	<i>Notes</i>	Reviewed 30 September 2023	Audited 31 December 2022
ASSETS			
Liquid funds		2,586	2,886
Trading securities		1,191	590
Placements with banks and other financial institutions		2,765	2,226
Securities bought under repurchase agreements		1,721	1,386
Non-trading investments	4	11,463	8,080
Loans and advances	5	17,598	18,190
Other assets		3,680	3,016
Premises and equipment		257	265
TOTAL ASSETS		41,261	36,639
LIABILITIES			
Deposits from customers		20,914	21,396
Deposits from banks		4,340	3,764
Certificates of deposit		201	435
Securities sold under repurchase agreements		6,735	2,878
Taxation		122	84
Other liabilities		2,962	2,264
Borrowings		1,298	1,297
Total liabilities		36,572	32,118
EQUITY			
Share capital		3,110	3,110
Treasury shares		(6)	(6)
Statutory reserve		545	545
Retained earnings		1,250	1,125
Other reserves		(1,078)	(1,069)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		3,821	3,705
Additional / perpetual tier-I capital		390	390
Equity attributable to the shareholders of the parent and perpetual instrument holders		4,211	4,095
Non-controlling interests		478	426
Total equity		4,689	4,521
TOTAL LIABILITIES AND EQUITY		41,261	36,639

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 13 November 2023 and signed on their behalf by the Chairman, Deputy Chairman and the Group Chief Executive Officer.



Saddek El Kaber
Chairman



Mohammad Abdulredha Saleem
Deputy Chairman



Sael Al Waary
Group Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

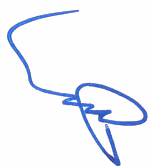
Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS


Nine-month period ended 30 September 2023 (Reviewed)

All figures in US\$ Million

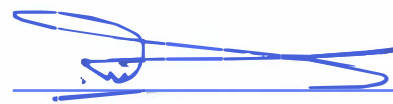
	Notes	Reviewed		Reviewed	
		Three months ended		Nine months ended	
		2023	2022	2023	2022
OPERATING INCOME					
Interest and similar income		822	539	2,205	1,435
Interest and similar expense		(581)	(345)	(1,520)	(871)
Net interest income		241	194	685	564
Other operating income	6	91	77	258	227
Total operating income		332	271	943	791
OPERATING EXPENSES					
Staff		116	109	339	308
Premises and equipment		15	13	40	40
Other		59	41	175	146
Total operating expenses		190	163	554	494
NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION					
		142	108	389	297
Credit loss expense	7	(35)	(27)	(108)	(78)
PROFIT BEFORE TAXATION		107	81	281	219
Taxation charge on foreign operations		(27)	(22)	(55)	(64)
PROFIT FOR THE PERIOD		80	59	226	155
Profit attributable to non-controlling interests		(18)	(15)	(43)	(41)
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		62	44	183	114
BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US\$)					
		0.02	0.01	0.06	0.04



Saddek El Kaber
Chairman



Mohammad Abdulredha Saleem
Deputy Chairman



Sael Al Waary
Group Chief Executive Officer

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Nine-month period ended 30 September 2023 (Reviewed)

All figures in US\$ Million

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2023	2022	2023	2022
PROFIT FOR THE PERIOD	80	59	226	155
Other comprehensive income (loss):				
<i>Other comprehensive income (loss)</i>				
<i>that will be reclassified (or recycled) to profit</i>				
<i>or loss in subsequent periods:</i>				
<u>Foreign currency translation:</u>				
Unrealised loss on exchange translation in foreign subsidiaries	(39)	(55)	(16)	(84)
<u>Debt instruments at FVOCI:</u>				
Net change in fair value during the period	27	(4)	19	(127)
	(12)	(59)	3	(211)
<i>Other comprehensive income (loss) that will not be reclassified (or recycled) to profit or loss in subsequent periods:</i>				
Net change in fair value of FVOCI equity securities during the period	(1)	(2)	4	(1)
	(1)	(2)	4	(1)
Other comprehensive (loss) income for the period	(13)	(61)	7	(212)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	67	(2)	233	(57)
Attributable to:				
Shareholders of the parent	65	(6)	174	(109)
Non-controlling interests	2	4	59	52
	67	(2)	233	(57)

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Nine-month period ended 30 September 2023 (Reviewed)

All figures in US\$ million

	Reviewed	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	2023	2022
OPERATING ACTIVITIES		
Profit for the period	226	155
Adjustments for:		
Credit loss expense	108	78
Depreciation and amortisation	46	43
Gain on disposal of non-trading debt investments - net	(16)	(13)
Changes in operating assets and liabilities:		
Treasury bills and other eligible bills	38	7
Trading securities	(580)	126
Placements with banks and other financial institutions	(704)	188
Securities bought under repurchase agreements	(298)	(560)
Loans and advances	595	(1,396)
Other assets	(644)	(818)
Deposits from customers*	(325)	1,819
Deposits from banks	521	(758)
Securities sold under repurchase agreements	3,874	(295)
Other liabilities	722	637
Other non-cash movements	594	369
Net cash from (used in) operating activities	4,157	(418)
INVESTING ACTIVITIES		
Purchase of non-trading investments	(12,116)	(3,682)
Sale and redemption of non-trading investments	8,136	3,851
Purchase of premises and equipment	(42)	(23)
Sale of premises and equipment	8	4
Investment in subsidiaries - net	4	(38)
Net cash (used in) from investing activities	(4,010)	112
FINANCING ACTIVITIES		
Repayment of certificates of deposit - net	(236)	(165)
Repayment of borrowings	(44)	(9)
Proceeds from borrowings	42	30
Interest paid on additional / perpetual tier-1 capital	(19)	(9)
Dividend paid to the Bank's shareholders	(46)	(31)
Dividend paid to non-controlling interests	(21)	(17)
Net cash used in financing activities	(324)	(201)
Net change in cash and cash equivalents	(177)	(507)
Effect of exchange rate changes on cash and cash equivalents	(85)	(57)
Cash and cash equivalents at beginning of the period	2,848	2,586
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**	2,586	2,022

*This excludes non-cash item amounting to US\$ Nil (30 September 2022: US\$ 390 million), which was converted from deposits from customers to additional / perpetual tier-1 capital instruments during 2022.

**Cash and cash equivalents comprises of liquid funds excluding treasury and other eligible bills with original maturities of more than three months amounting to US\$ nil (30 September 2022: US\$ 34 million).

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine-month period ended 30 September 2023 (Reviewed)

All figures in US\$ Million

	Equity attributable to the shareholders of the parent								Additional /	Non-	Total	
	Share capital	Treasury shares	Statutory reserve	Retained earnings*	General reserve	Other reserves		Pension fund reserve	Total	perpetual tier-1 capital	controlling interests	equity
						Foreign exchange translation adjustments	Cumulative changes in fair value					
At 31 December 2022	3,110	(6)	545	1,125	100	(1,114)	(22)	(33)	3,705	390	426	4,521
Profit for the period	-	-	-	183	-	-	-	-	183	-	43	226
Other comprehensive (loss) income for the period	-	-	-	-	-	(32)	23	-	(9)	-	16	7
Total comprehensive income (loss) for the period	-	-	-	183	-	(32)	23	-	174	-	59	233
Dividend**	-	-	-	(46)	-	-	-	-	(46)	-	(21)	(67)
Interest paid on additional / perpetual tier-1 capital	-	-	-	(19)	-	-	-	-	(19)	-	-	(19)
Other equity movements in subsidiaries	-	-	-	7	-	-	-	-	7	-	14	21
At 30 September 2023 (reviewed)	3,110	(6)	545	1,250	100	(1,146)	1	(33)	3,821	390	478	4,689

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US\$ 555 million (31 December 2022: US\$ 517 million).

** A dividend of US\$ 0.015 per share (2021: US\$ 0.010 per share) for the year 2022 was approved for payment at the Annual General Meeting held on 19 March 2023 and paid during the period.

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Nine-month period ended 30 September 2023 (Reviewed)

All figures in US\$ Million

	Equity attributable to the shareholders of the parent								Additional / perpetual tier-1 capital	Non- controlling interests	Total equity	
	Other reserves											
	Share capital	Treasury shares	Statutory reserve	Retained earnings	General reserve	Foreign		Pension fund reserve				Total
						exchange translation adjustments	Cumulative changes in fair value					
At 31 December 2021	3,110	(6)	530	1,055	100	(950)	63	(30)	3,872	-	363	4,235
Profit for the period	-	-	-	114	-	-	-	-	114	-	41	155
Other comprehensive (loss) income for the period	-	-	-	-	-	(95)	(128)	-	(223)	-	11	(212)
Total comprehensive income (loss) for the period	-	-	-	114	-	(95)	(128)	-	(109)	-	52	(57)
Dividend	-	-	-	(31)	-	-	-	-	(31)	-	(17)	(48)
Issue of additional / perpetual tier-1 capital	-	-	-	-	-	-	-	-	-	390	-	390
Interest paid on additional / perpetual tier-1 capital	-	-	-	(9)	-	-	-	-	(9)	-	-	(9)
Other equity movements in subsidiaries	-	-	-	(18)	-	-	-	-	(18)	-	3	(15)
At 30 September 2022 (reviewed)	3,110	(6)	530	1,111	100	(1,045)	(65)	(30)	3,705	390	401	4,496

The attached notes 1 to 12 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

1 INCORPORATION AND ACTIVITIES

Arab Banking Corporation (B.S.C.) [the "Bank"] is incorporated in the Kingdom of Bahrain by an Amiri decree and operates under a wholesale banking licence issued by the Central Bank of Bahrain (the "CBB"). The Bank is a Bahraini Shareholding Company with limited liability and is listed on the Bahrain Bourse. The Central Bank of Libya is the ultimate parent of the Bank and its subsidiaries (together the "Group").

The Bank's registered office is at ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 10299 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The Group offers a range of international wholesale banking services including Corporate Banking & Financial Institutions, Project & Structured Finance, Syndications, Treasury, Trade Finance, Islamic Banking and the digital, mobile-only banking space named "ila Bank" within retail consumer banking services. Retail banking services are only provided in the MENA region.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the nine-month period ended 30 September 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting (IAS 34).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. In addition, results for the nine-month period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2.2 New and amended standards and interpretations adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new and amended standards and interpretations that have become applicable effective from 1 January 2023. The Group has not early adopted any new and amended standard or interpretation that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022 except for adoption of new standards and amendments effective from 1 January 2023.

4 NON-TRADING INVESTMENTS

	<i>Reviewed</i> <i>30 September</i> <i>2023</i>	<i>Audited</i> <i>31 December</i> <i>2022</i>
Debt securities		
At amortised cost	6,124	1,397
At FVOCI	5,406	6,755
	11,530	8,152
ECL allowances	(86)	(87)
Debt securities - net	11,444	8,065
Equity securities		
At FVOCI	19	15
	19	15
	11,463	8,080

Following are the stage wise break-up of debt securities as of 30 September 2023 and 31 December 2022:

	<i>30 September 2023 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	11,456	-	74	11,530
ECL allowances	(12)	-	(74)	(86)
	11,444	-	-	11,444
	<i>31 December 2022 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	8,078	-	74	8,152
ECL allowances	(13)	-	(74)	(87)
	8,065	-	-	8,065

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

5 LOANS AND ADVANCES

	<i>30 September 2023 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Loans and advances, gross	16,737	839	622	18,198
ECL allowances	(154)	(78)	(368)	(600)
	16,583	761	254	17,598

	<i>31 December 2022 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Loans and advances, gross	17,466	742	655	18,863
ECL allowances	(139)	(71)	(463)	(673)
	17,327	671	192	18,190

An analysis of movement in the ECL allowances during the periods ended 30 September 2023 and 30 September 2022 are as follows:

<u>Reviewed</u>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2023	139	71	463	673
Net transfers between stages	-	(16)	16	-
Amounts written-off	-	-	(191)	(191)
Charge for the period - net	10	17	79	106
Exchange adjustments and other movements	5	6	1	12
As at 30 September 2023	154	78	368	600

<u>Reviewed</u>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2022	109	89	493	691
Net transfers between stages	4	(21)	17	-
Amounts written-off	-	-	(147)	(147)
Charge for the period - net	31	9	40	80
Exchange adjustments and other movements	12	(12)	12	12
As at 30 September 2022	156	65	415	636

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

6 OTHER OPERATING INCOME

	<i>Reviewed</i>	
	<u>30 September</u>	<u>30 September</u>
	<u>2023</u>	<u>2022</u>
Fee and commission income - net*	149	140
Bureau processing income	29	24
Net gain from trading book (including foreign currencies transaction)	25	22
Gain on disposal of non-trading debt investments - net	16	13
Merchant acquiring income	10	8
Brokerage income - net	8	9
Others - net	21	11
	258	227

*Included in the fee and commission income is US\$ 10 million (30 September 2022: US\$ 10 million) of fee income relating to funds under management.

7 CREDIT LOSS EXPENSE

	<i>Reviewed</i>	
	<u>30 September</u>	<u>30 September</u>
	<u>2023</u>	<u>2022</u>
Non-trading debt investments	1	(7)
Loans and advances	106	80
Credit commitments and contingent items	1	5
	108	78

8 OPERATING SEGMENTS

For management purposes, the Group is organised into five operating segments which are based on business units and their activities. The Group has accordingly been structured to place its activities under the distinct divisions which are as follows:

- **MENA subsidiaries** cover retail, corporate and treasury activities of subsidiaries in North Africa and Levant;
- **International wholesale banking** encompasses corporate and structured finance, trade finance, Islamic banking services and syndications;
- **Group treasury** comprises treasury business of Bahrain, New York and London;
- **ABC Brasil** primarily reflects the commercial banking and treasury activities of the Brazilian subsidiary Banco ABC Brasil S.A., focusing on the corporate and middle market segments in Brazil; and
- **Others** includes activities of the Head Office, Arab Financial Services Company B.S.C. (c) and ila Bank.

Arab Banking Corporation (B.S.C.)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

8 OPERATING SEGMENTS (continued)

Nine-month period ended 30 September 2023 (Reviewed)	<i>International</i>					<i>Total</i>
	<i>MENA subsidiaries</i>	<i>wholesale banking</i>	<i>Group treasury</i>	<i>ABC Brasil</i>	<i>Others</i>	
Net interest income	165	150	37	230	103	685
Other operating income	35	60	32	90	41	258
Total operating income	200	210	69	320	144	943
Operating expenses	(100)	(96)	(23)	(147)	(72)	(438)
Profit before taxation, credit loss and unallocated operating expenses	100	114	46	173	72	505
Credit loss expense	(21)	(27)	-	(60)	-	(108)
Taxation charge on foreign operations	(41)	(8)	(1)	(5)	-	(55)
Unallocated operating expenses						(116)
Profit for the period						226
Operating assets as at 30 September 2023	5,230	8,783	16,138	10,487	623	41,261
Operating liabilities as at 30 September 2023	4,552	-	22,040	9,314	666	36,572
Nine-month period ended 30 September 2022 (Reviewed)	<i>International</i>					<i>Total</i>
	<i>MENA subsidiaries</i>	<i>wholesale banking</i>	<i>Group treasury</i>	<i>ABC Brasil</i>	<i>Others</i>	
Net interest income	162	121	51	209	21	564
Other operating income	35	58	32	76	26	227
Total operating income	197	179	83	285	47	791
Operating expenses	(111)	(82)	(18)	(123)	(63)	(397)
Profit (loss) before taxation, credit loss and unallocated operating expenses	86	97	65	162	(16)	394
Credit loss (expense) reversal	(34)	(23)	3	(24)	-	(78)
Taxation charge on foreign operations	(28)	(3)	-	(33)	-	(64)
Unallocated operating expenses						(97)
Profit for the period						155
Operating assets as at 31 December 2022 (Audited)	5,653	8,954	12,035	9,628	369	36,639
Operating liabilities as at 31 December 2022 (Audited)	4,939	-	18,145	8,544	490	32,118

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables provide the fair value measurement hierarchy of the Group's financial assets and financial liabilities measured at fair value in these financial statements.

Quantitative disclosure of fair value measurement hierarchy for assets as at 30 September 2023 (Reviewed):

Financial assets measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	1,191	-	1,191
Non-trading investments	4,617	722	5,339
Loans and advances	-	680	680
Derivatives held for trading	339	530	869
Derivatives held as hedges	-	136	136

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 30 September 2023 (Reviewed):

Financial liabilities measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading	290	465	755
Derivatives held as hedges	-	3	3

Quantitative disclosure of fair value measurement hierarchy for assets as as at 31 December 2022 (Audited):

Financial assets measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	590	-	590
Non-trading investments	5,772	911	6,683
Loans and advances	-	726	726
Derivatives held for trading	324	541	865
Derivatives held as hedges	-	103	103

Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2022 (Audited):

Financial liabilities measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading	323	482	805
Derivatives held as hedges	-	4	4

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

9 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair values of financial instruments not carried at fair value

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	<i>Reviewed</i>		<i>Audited</i>	
	<i>30 September 2023</i>		<i>31 December 2022</i>	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
Financial assets				
Non-trading debt investments				
at amortised cost - gross (level 1 and 2)	6,124	6,122	1,397	1,354
Financial liabilities				
Borrowings - perpetual (level 1)	95	103	92	97

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Transfers between level 1 and level 2

There were no transfers between level 1 and level 2 during the current and prior period.

10 CREDIT COMMITMENTS AND CONTINGENT ITEMS

a) Exposure (after applying credit conversion factor) and ECL by stage

	<i>30 September 2023 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Credit commitments and contingencies	3,842	70	37	3,949
ECL allowances	8	15	17	40

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

10 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)

a) Exposure (after applying credit conversion factor) and ECL by stage (continued)

	<i>31 December 2022 (Audited)</i>			<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	
Credit commitments and contingencies	3,229	71	39	3,339
ECL allowances	7	9	28	44

An analysis of movement in the ECL allowances during the period are as follows:

	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2023	7	9	28	44
ECL movements for the period - net	1	6	(11)	(4)
As at 30 September 2023 (reviewed)	8	15	17	40
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2022	12	9	41	62
ECL movements for the period - net	(6)	-	(11)	(17)
As at 30 September 2022 (reviewed)	6	9	30	45

b) Credit commitments and contingencies

	<i>Reviewed 30 September 2023</i>	<i>Audited 31 December 2022</i>
Short-term self-liquidating trade and transaction-related contingent items	3,777	2,892
Direct credit substitutes, guarantees	2,854	2,970
Undrawn loans and other commitments	2,835	2,119
	9,466	7,981
Credit exposure after applying credit conversion factor	3,949	3,339
Risk weighted equivalents	3,348	2,657

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

10 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)

c) Derivatives

The outstanding notional amounts at the reporting date were as follows:

	<i>Reviewed</i> <i>30 September</i> <i>2023</i>	<i>Audited</i> <i>31 December</i> <i>2022</i>
Interest rate swaps	12,917	11,617
Currency swaps	364	366
Forward foreign exchange contracts	8,012	8,501
Options*	9,851	11,011
Futures	5,015	2,985
	36,159	34,480
Risk weighted equivalents (credit and market risk)	1,312	1,232

* This includes options for which the Group has a back-to-back cover available.

11 RISK MANAGEMENT**Liquidity risk**

The Group is required to comply with the liquidity requirements as stipulated by its regulator, the CBB. These requirements relate to maintaining a minimum of 100% for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is calculated as a ratio of its stock of high quality liquid assets (HQLA) and net outflows over the next 30 calendar days. NSFR is calculated as a ratio of 'available stable funding' to 'required stable funding'. As at 30 September 2023, the Group's LCR and NSFR were at 247% (31 December 2022: 225%) and 122% (31 December 2022: 124%) respectively.

	30 September 2023					31 December 2022				
	Unweighted Values (i.e. before applying relevant factors)					Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value
Available Stable Funding (ASF):										
Capital:										
Regulatory Capital	4,141	-	-	-	4,141	3,995	-	-	-	3,995
Other Capital Instruments	463	-	-	335	798	470	-	-	290	760
Retail deposits and deposits from small business customers:										
Stable deposits	-	-	74	-	70	-	-	91	-	86
Less stable deposits	-	1,843	354	372	2,349	-	1,526	241	280	1,871
Wholesale funding:										
Operational deposits										
Other wholesale funding	-	19,125	4,517	7,783	13,526	-	16,403	4,056	7,393	12,863
Other liabilities:										
NSFR derivative liabilities	-	-	-	-	-	-	-	-	-	-
All other liabilities not included in the above categories	-	1,498	-	-	-	-	1,084	-	-	-
Total ASF (A)					20,884					19,575

11 RISK MANAGEMENT (continued)

	30 September 2023					31 December 2022				
	Unweighted Values (i.e. before applying relevant factors)					Unweighted Values (i.e. before applying relevant factors)				
	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value	No specified maturity	Less than 6 months	Over 6 months and less than one year	Over one year	Total weighted value
Required Stable Funding (RSF):										
Total NSFR high-quality liquid assets (HQLA)	11,595	670	-	-	767	7,744	88	-	-	452
Deposits held at other financial institutions for operational purposes	-	-	-	-	-	-	-	-	-	-
Performing loans and securities:										
Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-	-	-	-	-	-
Performing loans to financial institutions secured by non-level 1 HQLA and unsecured performing loans to financial institutions	-	3,882	1,027	757	1,809	-	4,099	819	693	1,677
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	6,834	2,643	587	9,487	-	7,281	2,128	5,729	9,574
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	168	109	-	-	-	100	65
Performing residential mortgages, of which:										
With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines	-	-	-	-	-	-	-	-	-	-
Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	-	517	205	1,141	1,331	-	231	444	854	1,064
Other assets:										
Physical traded commodities, including gold	-	-	-	-	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	-	-	-	-	-	-	-	-
NSFR derivative assets	-	221	-	-	221	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-	-	-	-	-	-
All other assets not included in the above categories	1,832	368	6	2,594	2,862	2,772	327	18	2,214	2,504
OBS items	9,349	-	-	-	467	-	8,130	-	-	406
Total RSF (B)					17,053					15,742
NSFR (A/B)					122%					124%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2023 (Reviewed)

All figures in US\$ million

12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Related parties represent the ultimate parent, major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The period-end and year-end balances in respect of related parties included in the interim consolidated statement of financial position are as follows:

	<i>Ultimate parent</i>	<i>Major share- holder</i>	<i>Directors</i>	<i>30 September 2023 (Reviewed)</i>
Deposits from customers	2,952	-	7	2,959
Borrowings	1,115	-	-	1,115
Additional / perpetual tier-1 capital*	390	-	-	390
Short-term self-liquidating trade and transaction-related contingent items	893	-	-	893
	<i>Ultimate parent</i>	<i>Major share- holder</i>	<i>Directors</i>	<i>31 December 2022 (Audited)</i>
Deposits from customers	3,173	-	6	3,179
Borrowings	1,115	-	-	1,115
Additional / perpetual tier-1 capital*	390	-	-	390
Short-term self-liquidating trade and transaction-related contingent items	387	-	-	387

* During the period, the Group has paid interest on additional / perpetual tier-1 capital amounting to US\$ 19 million (30 September 2022: US\$ 9 million) which has been charged to the interim consolidated statement of changes in equity.

The income and expenses in respect of related parties included in the interim consolidated statement of profit or loss are as follows:

	<i>30 September 2023 Reviewed</i>	<i>30 September 2022</i>
Commission income	13	6
Interest expense	191	72