

**Arab Banking Corporation (B.S.C.)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2022 (REVIEWED)**



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## **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 June 2022, comprising of the interim consolidated statement of financial position as at 30 June 2022 and the related interim consolidated statements of profit or loss and comprehensive income for the three-month period and six-month period then ended, and interim consolidated statements of cash flows and changes in equity for the six-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.

10 August 2022  
Manama, Kingdom of Bahrain

# Arab Banking Corporation (B.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022 (Reviewed)

*All figures in US\$ Million*

	<i>Notes</i>	<b>Reviewed 30 June 2022</b>	<i>Audited 31 December 2021</i>
<b>ASSETS</b>			
Liquid funds		2,043	2,626
Trading securities		987	902
Placements with banks and other financial institutions		2,510	3,031
Securities bought under repurchase agreements		1,029	698
Non-trading investments	4	7,378	8,350
Loans and advances	5	17,022	16,768
Other assets		3,037	2,213
Premises and equipment		280	309
<b>TOTAL ASSETS</b>		<b>34,286</b>	<b>34,897</b>
<b>LIABILITIES</b>			
Deposits from customers		20,512	20,734
Deposits from banks		3,712	4,388
Certificates of deposit		481	725
Securities sold under repurchase agreements		1,630	2,011
Taxation		87	79
Other liabilities		2,115	1,514
Borrowings		1,244	1,211
<b>Total liabilities</b>		<b>29,781</b>	<b>30,662</b>
<b>EQUITY</b>			
Share capital		3,110	3,110
Treasury shares		(6)	(6)
Statutory reserve		530	530
Retained earnings		1,071	1,055
Other reserves		(990)	(817)
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>		<b>3,715</b>	<b>3,872</b>
Additional / perpetual tier-1 capital	13	390	-
Equity attributable to the shareholders of the parent and perpetual instrument holders		4,105	3,872
Non-controlling interests		400	363
<b>Total equity</b>		<b>4,505</b>	<b>4,235</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>34,286</b>	<b>34,897</b>

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 10 August 2022 and signed on their behalf by the Chairman, Deputy Chairman and the Acting Group Chief Executive Officer.

  
 \_\_\_\_\_  
 Saddek El Kaber  
 Chairman

  
 \_\_\_\_\_  
 Mohammad Abdulredha Saleem  
 Deputy Chairman

  
 \_\_\_\_\_  
 Sael Al Waary  
 Acting Group Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

# Arab Banking Corporation (B.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2022 (Reviewed)

*All figures in US\$ Million*

	Notes	<i>Reviewed</i>		<i>Reviewed</i>	
		<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<b>2022</b>	2021	<b>2022</b>	2021
<b>OPERATING INCOME</b>					
Interest and similar income		<b>493</b>	206	<b>896</b>	475
Interest and similar expense		<b>(300)</b>	(68)	<b>(526)</b>	(215)
<b>Net interest income</b>		<b>193</b>	138	<b>370</b>	260
Other operating income	6	<b>80</b>	87	<b>150</b>	147
<b>Total operating income</b>		<b>273</b>	225	<b>520</b>	407
<b>OPERATING EXPENSES</b>					
Staff		<b>99</b>	78	<b>199</b>	156
Premises and equipment		<b>12</b>	13	<b>27</b>	23
Other		<b>61</b>	37	<b>105</b>	74
Total operating expenses		<b>172</b>	128	<b>331</b>	253
<b>NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION</b>					
		<b>101</b>	97	<b>189</b>	154
Credit loss expense	7	<b>(26)</b>	(29)	<b>(51)</b>	(49)
<b>PROFIT BEFORE TAXATION</b>		<b>75</b>	68	<b>138</b>	105
Taxation charge on foreign operations		<b>(22)</b>	(35)	<b>(42)</b>	(36)
<b>PROFIT FOR THE PERIOD</b>		<b>53</b>	33	<b>96</b>	69
Profit attributable to non-controlling interests		<b>(14)</b>	(8)	<b>(26)</b>	(14)
<b>PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>		<b>39</b>	25	<b>70</b>	55
<b>BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US\$)</b>					
		<b>0.01</b>	0.01	<b>0.02</b>	0.02



Saddek El Kaber  
Chairman



Mohammad Abdulredha Saleem  
Deputy Chairman



Sael Al Waary  
Acting Group Chief Executive Officer

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2022 (Reviewed)

All figures in US\$ Million

	<i>Reviewed</i>		<i>Reviewed</i>	
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>PROFIT FOR THE PERIOD</b>	<b>53</b>	<b>33</b>	<b>96</b>	<b>69</b>
<b>Other comprehensive (loss) income:</b>				
<i>Other comprehensive (loss) income that will be reclassified (or recycled) to profit or loss in subsequent periods:</i>				
<u>Foreign currency translation:</u>				
Unrealised (loss) gain on exchange translation in foreign subsidiaries	(103)	118	(29)	41
<u>Debt instruments at FVOCI:</u>				
Net change in fair value during the period	(81)	36	(122)	42
<b>Other comprehensive (loss) income for the period</b>	<b>(184)</b>	<b>154</b>	<b>(151)</b>	<b>83</b>
<b>TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD</b>	<b>(131)</b>	<b>187</b>	<b>(55)</b>	<b>152</b>
<b>Attributable to:</b>				
Shareholders of the parent	(111)	137	(103)	121
Non-controlling interests	(20)	50	48	31
	<b>(131)</b>	<b>187</b>	<b>(55)</b>	<b>152</b>

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

# Arab Banking Corporation (B.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2022 (Reviewed)

*All figures in US\$ million*

	<b>Reviewed</b>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2022</b>	<b>2021</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	96	69
Adjustments for:		
Credit loss expense	51	49
Depreciation and amortisation	29	24
Gain on disposal of non-trading debt investments - net	(16)	(17)
Changes in operating assets and liabilities:		
Treasury bills and other eligible bills	4	(10)
Trading securities	(28)	(291)
Placements with banks and other financial institutions	272	(365)
Securities bought under repurchase agreements	(321)	826
Loans and advances	(628)	(1,926)
Other assets	(788)	(223)
Deposits from customers*	689	1,948
Deposits from banks	(663)	799
Securities sold under repurchase agreements	(391)	(291)
Other liabilities	592	140
Other non-cash movements	222	74
Net cash (used in) from operating activities	<b>(880)</b>	806
<b>INVESTING ACTIVITIES</b>		
Purchase of non-trading investments	(3,213)	(2,585)
Sale and redemption of non-trading investments	3,809	2,011
Purchase of premises and equipment	(16)	(26)
Sale of premises and equipment	3	4
Investment in subsidiaries - net	(41)	10
Net cash from (used in) investing activities	<b>542</b>	(586)
<b>FINANCING ACTIVITIES</b>		
(Repayment) issue of certificates of deposit - net	(180)	54
Repayment of borrowings	(7)	(94)
Issue of borrowings	30	-
Dividend paid to the Group's shareholders	(31)	-
Dividend paid to non-controlling interests	(11)	(7)
Net cash used in financing activities	<b>(199)</b>	(47)
Net change in cash and cash equivalents	<b>(537)</b>	173
Effect of exchange rate changes on cash and cash equivalents	(12)	60
Cash and cash equivalents at beginning of the period	<b>2,585</b>	1,752
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**</b>	<b>2,036</b>	1,985

\*This excludes non-cash item amounting to US\$ 390 million, which was converted from deposits from customers to additional / perpetual tier-1 capital instruments.

\*\*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\$ 36 million (30 June 2021: US\$ 10 million).

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2022 (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 exchange translation adjustments	Cumulative changes in fair value	Pension fund reserve				Total
At 31 December 2021	3,110	(6)	530	1,055	100	(950)	63	(30)	3,872	-	363	4,235
Profit for the period	-	-	-	70	-	-	-	-	70	-	26	96
Other comprehensive (loss) income for the period	-	-	-	-	-	(51)	(122)	-	(173)	-	22	(151)
Total comprehensive income (loss) for the period	-	-	-	70	-	(51)	(122)	-	(103)	-	48	(55)
Dividend**	-	-	-	(31)	-	-	-	-	(31)	-	-	(31)
Issue of additional / perpetual tier-1 capital	-	-	-	-	-	-	-	-	-	390	-	390
Other equity movements in subsidiaries	-	-	-	(23)	-	-	-	-	(23)	-	(11)	(34)
<b>At 30 June 2022 (reviewed)</b>	<b>3,110</b>	<b>(6)</b>	<b>530</b>	<b>1,071</b>	<b>100</b>	<b>(1,001)</b>	<b>(59)</b>	<b>(30)</b>	<b>3,715</b>	<b>390</b>	<b>400</b>	<b>4,505</b>

\* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US\$ 517 million (31 December 2021: US\$ 510 million).

\*\* A dividend of US\$ 0.01 per share (2020: Nil) was approved for payment at the Annual General Meeting held on 23 March 2022 and paid during the half-year.

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2022 (Reviewed)

All figures in US\$ Million

	<i>Equity attributable to the shareholders of the parent</i>									<i>Additional / perpetual tier-1 capital</i>	<i>Non- controlling interests</i>	<i>Total equity</i>
					<i>Other reserves</i>				<i>Total</i>			
	<i>Share capital</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>General reserve</i>	<i>Foreign exchange translation adjustments</i>	<i>Cumulative changes in fair value</i>	<i>Pension fund reserve</i>				
At 31 December 2020	3,110	(6)	520	965	100	(902)	20	(40)	3,767	-	377	4,144
Profit for the period	-	-	-	55	-	-	-	-	55	-	14	69
Other comprehensive income for the period	-	-	-	-	-	24	42	-	66	-	17	83
Total comprehensive income for the period	-	-	-	55	-	24	42	-	121	-	31	152
Other equity movements in subsidiaries	-	-	-	2	-	-	-	-	2	-	(16)	(14)
At 30 June 2021 (reviewed)	3,110	(6)	520	1,022	100	(878)	62	(40)	3,890	-	392	4,282

The attached notes 1 to 14 form part of these interim condensed consolidated financial statements.

## **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, Commerce and Tourism, 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 services, 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 of the Group are prepared in accordance with International Accounting Standard 34 – "Interim Financial Information" (IAS 34). The consolidated financial statements of the Group for the year ended 31 December 2021 were prepared in accordance with International Financial Reporting Standards ("IFRS") as modified by the CBB and interim condensed consolidated financial statements of the Group for the interim periods of the year ended 31 December 2021 were prepared in accordance with the guidance provided by IAS 34 using IFRS as modified by the CBB framework. The transition from "IFRS as modified by the CBB" to "IFRS" has not resulted in any changes to the previously reported numbers (including comparatives in these interim condensed consolidated financial statements) in the consolidated statement of financial position as of 1 January 2021 and 31 December 2021 and the consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the year ended 31 December 2021 and the interim periods of the year ended 31 December 2021.

### **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 2021, except for change in framework described in note 2.1 above and adoption of new and amended standards and interpretations that have become applicable to the Group effective from 1 January 2022. 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 2022, 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 June 2022 (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 2021 except for adoption of new standards and amendments effective from 1 January 2022 as explained in note 2.2 to the interim condensed consolidated financial statements and change in framework as set out in note 2.1 to the interim condensed consolidated financial statements.

**4 NON-TRADING INVESTMENTS**

	<i>Reviewed</i> <b>30 June</b> <i>2022</i>	<i>Audited</i> <i>31 December</i> <i>2021</i>
<b>Debt securities</b>		
At amortised cost	1,344	1,683
At FVOCI	6,119	6,755
	<b>7,463</b>	8,438
ECL allowances	<b>(100)</b>	(105)
<b>Debt securities - net</b>	<b>7,363</b>	8,333
<b>Equity securities</b>		
At FVOCI	15	17
	<b>15</b>	17
	<b>7,378</b>	8,350

Following are the stage wise break-up of debt securities as of 30 June 2022 and 31 December 2021:

	<i>30 June 2022 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	7,374	-	89	7,463
ECL allowances	(14)	-	(86)	(100)
	<b>7,360</b>	-	<b>3</b>	<b>7,363</b>
	<i>31 December 2021 (Audited)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	8,349	-	89	8,438
ECL allowances	(19)	-	(86)	(105)
	<b>8,330</b>	-	<b>3</b>	<b>8,333</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (Reviewed)

All figures in US\$ million

5 LOANS AND ADVANCES

	<i>30 June 2022 (Reviewed)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Loans and advances, gross	16,247	834	649	1	17,731
ECL allowances	(138)	(77)	(494)	-	(709)
	<b>16,109</b>	<b>757</b>	<b>155</b>	<b>1</b>	<b>17,022</b>
	<i>31 December 2021 (Audited)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Loans and advances, gross	16,039	821	598	1	17,459
ECL allowances	(109)	(89)	(493)	-	(691)
	<b>15,930</b>	<b>732</b>	<b>105</b>	<b>1</b>	<b>16,768</b>

As of 30 June 2022, the outstanding balance of customers to whom payment holidays in the form of deferral of repayments or interest as a result of Covid-19 have been provided amounted to US\$ 85 million (31 December 2021: US\$ 396 million).

An analysis of movement in the ECL allowances during the periods ended 30 June 2022 and 30 June 2021 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 2022	109	89	493	691
Net transfers between stages	3	(20)	17	-
Amounts written-off	-	-	(52)	(52)
Charge for the period - net	29	6	17	52
Exchange adjustments and other movements	(3)	2	19	18
<b>As at 30 June 2022</b>	<b>138</b>	<b>77</b>	<b>494</b>	<b>709</b>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2021	67	95	708	870
Net transfers between stages	-	(1)	1	-
Amounts written-off	-	-	(35)	(35)
Charge (reversal) for the period - net	8	(8)	40	40
Exchange adjustments and other movements	(1)	-	6	5
<b>As at 30 June 2021</b>	<b>74</b>	<b>86</b>	<b>720</b>	<b>880</b>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (Reviewed)

*All figures in US\$ million*

**6 OTHER OPERATING INCOME**

	<i>Reviewed</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>
Fee and commission income - net*	92	76
Bureau processing income	11	14
Net gain from derivatives	22	24
Net loss on trading securities	(13)	(2)
Net gain on translation of foreign currency operations	4	2
Gain on hedging foreign currency movements**	1	7
Gain on disposal of non-trading debt investments - net	16	17
Others - net	17	9
	<b>150</b>	<b>147</b>

\*Included in the fee and commission income is US\$ 6 million (30 June 2021: US\$ 7 million) of fee income relating to funds under management.

\*\*Gain on hedging foreign currency movements relate to a transaction which has an offsetting impact on the tax expense for the period.

**7 CREDIT LOSS EXPENSE**

	<i>Reviewed</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>
Non-trading debt investments	(5)	-
Loans and advances	52	40
Credit commitments and contingent items	4	9
	<b>51</b>	<b>49</b>

**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 activities of Bahrain Head Office, 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 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 June 2022 (Reviewed)

*All figures in US\$ million*

### 8 OPERATING SEGMENTS (continued)

Six-month period ended	<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>	
<b>30 June 2022 (Reviewed)</b>						
Net interest income	108	81	41	134	6	370
Other operating income	24	38	23	49	16	150
Total operating income	132	119	64	183	22	520
Total operating expenses	(75)	(55)	(12)	(79)	(40)	(261)
Profit (loss) before taxation, credit loss and unallocated operating expenses	57	64	52	104	(18)	259
Credit loss expense	(16)	(24)	3	(14)	-	(51)
Taxation charge on foreign operations	(19)	(2)	-	(21)	-	(42)
Unallocated operating expenses						(70)
Profit for the period						96
Operating assets as at 30 June 2022	6,217	8,394	10,384	9,115	176	34,286
Operating liabilities as at 30 June 2022	5,452	-	15,928	8,027	374	29,781
Six-month period ended	<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>	
<b>30 June 2021 (Reviewed)</b>						
Net interest income	60	86	35	78	1	260
Other operating income	18	35	20	62	12	147
Total operating income	78	121	55	140	13	407
Total operating expenses	(50)	(53)	(12)	(51)	(35)	(201)
Profit (loss) before taxation, credit loss and unallocated operating expenses	28	68	43	89	(22)	206
Credit loss expense	(11)	(20)	-	(17)	(1)	(49)
Taxation charge on foreign operations	(9)	(2)	-	(25)	-	(36)
Unallocated operating expenses						(52)
Profit for the period						69
Operating assets as at 31 December 2021	6,827	9,124	10,886	7,740	320	34,897
Operating liabilities as at 31 December 2021	5,971	-	17,635	6,779	277	30,662

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2022 (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 June 2022 (Reviewed):**

**Financial assets measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	987	-	987
Non-trading investments	5,360	674	6,034
Loans and advances	-	617	617
Derivatives held for trading	407	662	1,069
Derivatives held as hedges	-	70	70

**Quantitative disclosure of fair value measurement hierarchy for liabilities as at 30 June 2022 (Reviewed):**

**Financial liabilities measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading	371	589	960
Derivatives held as hedges	-	9	9

**Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2021 (Audited):**

**Financial assets measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	902	-	902
Non-trading investments	5,905	762	6,667
Loans and advances	-	618	618
Derivatives held for trading	396	259	655
Derivatives held as hedges	-	11	11

**Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2021 (Audited):**

**Financial liabilities measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading	403	203	606
Derivatives held as hedges	-	87	87

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**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 June 2022</i>		<i>31 December 2021</i>	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
<b>Financial assets</b>				
Non-trading debt investments				
at amortised cost - gross (level 1 and 2)	<b>1,344</b>	<b>1,303</b>	1,683	1,684
<b>Financial liabilities</b>				
Borrowings - perpetual (level 1)	<b>91</b>	<b>100</b>	85	87

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 June 2022 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Credit commitments and contingencies	<b>3,114</b>	<b>169</b>	<b>74</b>	<b>3,357</b>
ECL allowances	<b>8</b>	<b>12</b>	<b>31</b>	<b>51</b>

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**10 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)**

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

	<i>31 December 2021 (Audited)</i>			<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	
Credit commitments and contingencies	2,941	127	75	3,143
ECL allowances	12	9	41	62

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 2022	12	9	41	62
ECL movements for the period - net	(4)	3	(10)	(11)
<b>As at 30 June 2022 (reviewed)</b>	<b>8</b>	<b>12</b>	<b>31</b>	<b>51</b>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
As at 1 January 2021	12	13	32	57
ECL movements for the period - net	(1)	(1)	6	4
As at 30 June 2021 (reviewed)	11	12	38	61

**b) Credit commitments and contingencies**

	<i>Reviewed 30 June 2022</i>	<i>Audited 31 December 2021</i>
Short-term self-liquidating trade and transaction-related contingent items	2,856	2,575
Direct credit substitutes, guarantees	2,884	2,777
Undrawn loans and other commitments	2,453	2,383
	<b>8,193</b>	<b>7,735</b>
Credit exposure after applying credit conversion factor	<b>3,357</b>	3,143
Risk weighted equivalents	<b>2,630</b>	2,562

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**10 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)**

**c) Derivatives**

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

	<i>Reviewed</i> <b>30 June</b> <b>2022</b>	<i>Audited</i> <i>31 December</i> <i>2021</i>
Interest rate swaps	<b>11,380</b>	11,581
Currency swaps	<b>374</b>	401
Forward foreign exchange contracts	<b>6,520</b>	6,163
Options*	<b>13,441</b>	26,108
Futures	<b>3,871</b>	3,386
	<b>35,586</b>	47,639
Risk weighted equivalents (credit and market risk)	<b>1,294</b>	1,376

\* 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% (reduced to 80% up to 30 June 2022) for liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR is calculated as a ratio of its stock of 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 June 2022, the Group's LCR and NSFR were at 244% (31 December 2021: 228%) and 126% (31 December 2021: 128%) respectively.

	30 June 2022					31 December 2021				
	<i>Unweighted Values (i.e. before applying relevant factors)</i>					<i>Unweighted Values (i.e. before applying relevant factors)</i>				
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>Over 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>Over 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>
<b>Available Stable Funding (ASF):</b>										
Capital:										
Regulatory Capital	3,987	-	-	-	3,987	4,132	-	-	-	4,132
Other Capital Instruments	476	-	-	286	762	82	-	-	265	347
<b>Retail deposits and deposits from small business customers:</b>										
Stable deposits	-	-	122	-	116	-	-	122	-	116
Less stable deposits	-	1,413	209	245	1,705	-	1,500	315	203	1,836
<b>Wholesale funding:</b>										
Operational deposits										
Other wholesale funding	-	14,374	4,669	6,620	12,368	-	16,197	4,402	6,821	12,888
Other liabilities:										
NSFR derivative liabilities	-	-	-	-	-	-	27	-	-	-
All other liabilities not included in the above categories	-	916	-	-	-	-	137	-	-	-
<b>Total ASF (A)</b>					<b>18,938</b>					<b>19,319</b>

## 11 RISK MANAGEMENT (continued)

	30 June 2022					31 December 2021				
	<i>Unweighted Values (i.e. before applying relevant factors)</i>					<i>Unweighted Values (i.e. before applying relevant factors)</i>				
	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>Over 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>	<i>No specified maturity</i>	<i>Less than 6 months</i>	<i>Over 6 months and less than one year</i>	<i>Over one year</i>	<i>Total weighted value</i>
<b>Required Stable Funding (RSF):</b>										
Total NSFR high-quality liquid assets (HQLA)	7,446	139	-	-	541	8,308	140	-	-	526
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	-	3,304	942	594	1,549	-	3,242	880	972	1,885
Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	6,882	2,087	5,266	8,961	-	6,372	1,735	5,618	8,829
With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	190	123	-	-	-	141	92
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	-	493	665	1,294	1,679	-	274	626	1,950	2,108
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	-	-	-	-	-	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	170	-	-	170	-	5	-	-	5
All other assets not included in the above categories	1,828	304	188	1,193	1,562	2,508	264	68	1,016	1,298
OBS items	-	8,367	-	-	418	-	7,266	-	-	363
<b>Total RSF (B)</b>					<b>15,003</b>					<b>15,106</b>
<b>NSFR (A/B)</b>					<b>126%</b>					<b>128%</b>

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**12 TRANSACTIONS 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 June 2022 (Reviewed)</i>
Deposits from customers	3,138	400	6	3,544
Borrowings	1,115	-	-	1,115
Additional / perpetual tier-1 capital	390	-	-	390
Short-term self-liquidating trade and transaction-related contingent items	269	-	-	269
	<i>Ultimate parent</i>	<i>Major share- holder</i>	<i>Directors</i>	<i>31 December 2021 (Audited)</i>
Deposits from customers	3,560	700	9	4,269
Borrowings	1,115	-	-	1,115
Short-term self-liquidating trade and transaction-related contingent items	347	-	-	347

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

	<i>30 June 2022 Reviewed</i>	<i>30 June 2021</i>
Commission income	5	4
Interest expense	54	26

**13 ADDITIONAL / PERPETUAL TIER 1 CAPITAL**

The Group issued Basel 3 compliant additional / perpetual Tier 1 Capital securities amounting to US\$ 390 million during the period. These securities are perpetual, subordinated and unsecured and carry an interest of 4.75% per annum payable semi-annually. The holders of these securities do not have a right to claim the interest and such an event of non-payment will not be considered an event of default. Further, the corresponding interest paid to investors is accounted for as appropriation of profits.

## **14 BUSINESS COMBINATION ON ACQUISITION**

### **14.1 Acquisition of Blom Bank Egypt**

On 15 January 2021, the Bank entered into a sale and purchase agreement with BLOM Bank SAL, Lebanon, to acquire its 99.5% (including stake bought through mandatory tender offer) stake of BLOM Bank Egypt [S.A.E] (Blom Bank Egypt) at a proposed cash consideration valuing the Blom Bank Egypt's 100% ownership at EGP 6,700 million. As part of the agreement, there were various conditions for the completion of acquisition, obtaining control and appointment of the Bank's representatives on the Board of Directors of Blom Bank Egypt. These conditions included, amongst others, various regulatory approvals in the Kingdom of Bahrain, Egypt and Lebanon and completion of authorised capital increase of Blom Bank Egypt. All the regulatory approvals and relevant completion conditions were fulfilled and the Group completed the acquisition transaction during 2021. The Group's subsidiaries in Egypt namely Arab Banking Corporation Egypt [S.A.E] and Blom Bank Egypt will continue operating as separate entities until the legal merger is completed and subject to regulatory approvals.

This transaction has been accounted for using the acquisition method under IFRS 3 Business combinations (IFRS 3), with the Group being the acquirer and Blom Bank Egypt being the acquiree. As required by IFRS 3, the Bank has accounted for this acquisition using provisional fair values of the acquired assets and assumed liabilities as at the acquisition date which have been disclosed in the consolidated financial statements of the Group for the year ended 31 December 2021. Adjustment to the provisional values will be finalised within twelve months of the date of acquisition as allowed by IFRS 3. There have been no changes to the provisional fair values disclosed at 31 December 2021 during the six-month period ended 30 June 2022.

### **Goodwill**

Goodwill calculated based on a provisional purchase price allocation has been included in the interim condensed consolidated financial statements. Subsequent adjustments during the measurement period will occur as the Group completes its estimation of fair values of assets acquired and liabilities assumed. The accounting for the fair value of the acquired Blom Bank Egypt financial assets and liabilities is provisional due to the inherent complexity and judgement associated with identifying intangible assets, and determining the fair value of identified intangible assets and on-balance sheet items. The goodwill is primarily attributable to the expected future earnings of the acquired business and synergies created. Further goodwill is not allocated to the cash generating units.