

Arab Banking Corporation (B.S.C.)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2022 (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 31 March 2022, comprising of the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated statements of profit or loss, comprehensive income, cash flows and changes in equity for the three-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.



11 May 2022
Manama, Kingdom of Bahrain

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022 (Reviewed)

All figures in US\$ Million

	<i>Notes</i>	Reviewed 31 March 2022	<i>Audited 31 December 2021</i>
ASSETS			
Liquid funds		2,079	2,626
Trading securities		1,361	902
Placements with banks and other financial institutions		2,664	3,031
Securities bought under repurchase agreements		821	698
Non-trading investments	4	7,764	8,350
Loans and advances	5	17,023	16,768
Other assets		2,740	2,213
Premises and equipment		298	309
TOTAL ASSETS		34,750	34,897
LIABILITIES			
Deposits from customers		20,720	20,734
Deposits from banks		3,756	4,388
Certificates of deposit		431	725
Securities sold under repurchase agreements		1,923	2,011
Taxation		125	79
Other liabilities		1,917	1,514
Borrowings		1,226	1,211
Total liabilities		30,098	30,662
EQUITY			
Share capital		3,110	3,110
Treasury shares		(6)	(6)
Statutory reserve		530	530
Retained earnings		1,037	1,055
Other reserves		(840)	(817)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		3,831	3,872
Additional / perpetual tier-1 capital	14	390	-
Equity attributable to the shareholders of the parent and perpetual instrument holders		4,221	3,872
Non-controlling interests		431	363
Total equity		4,652	4,235
TOTAL LIABILITIES AND EQUITY		34,750	34,897

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 11 May 2022 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



Khaled Kawan
Group Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

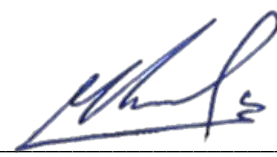
Three-month period ended 31 March 2022 (Reviewed)

All figures in US\$ Million

	Notes	Reviewed	
		Three months ended 31 March	
		2022	2021
OPERATING INCOME			
Interest and similar income		403	269
Interest and similar expense		(226)	(147)
Net interest income		177	122
Other operating income	6	70	60
Total operating income		247	182
OPERATING EXPENSES			
Staff		100	78
Premises and equipment		15	10
Other		44	37
Total operating expenses		159	125
NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION			
		88	57
Credit loss expense	7	(25)	(20)
PROFIT BEFORE TAXATION		63	37
Taxation charge on foreign operations		(20)	(1)
PROFIT FOR THE PERIOD		43	36
Profit attributable to non-controlling interests		(12)	(6)
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		31	30
BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US\$)			
		0.01	0.01



Saddek El Kaber
Chairman



Mohammad Abdulredha Saleem
Deputy Chairman



Khaled Kawan
Group Chief Executive Officer

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Three-month period ended 31 March 2022 (Reviewed)

All figures in US\$ Million

	Reviewed	
	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
PROFIT FOR THE PERIOD	43	36
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 gain (loss) on exchange translation in foreign subsidiaries	74	(77)
<u>Debt instruments at FVOCI:</u>		
Net change in fair value during the period	(41)	6
Other comprehensive income (loss) for the period	33	(71)
TOTAL COMPREHENSIVE		
INCOME (LOSS) FOR THE PERIOD	76	(35)
Attributable to:		
Shareholders of the parent	8	(16)
Non-controlling interests	68	(19)
	76	(35)

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Three-month period ended 31 March 2022 (Reviewed)

All figures in US\$ million

	Reviewed	
	<i>Three months ended</i>	
	<i>31 March</i>	
	2022	2021
OPERATING ACTIVITIES		
Profit for the period	43	36
Adjustments for:		
Credit loss expense	25	20
Depreciation and amortisation	14	12
Gain on disposal of non-trading debt investments - net	(15)	(14)
Changes in operating assets and liabilities:		
Treasury bills and other eligible bills	(303)	-
Trading securities	(274)	(423)
Placements with banks and other financial institutions	199	(515)
Securities bought under repurchase agreements	(79)	227
Loans and advances	240	(1,701)
Other assets	(344)	(208)
Deposits from customers*	(303)	1,983
Deposits from banks	(843)	903
Securities sold under repurchase agreements	(128)	(113)
Other liabilities	318	47
Other non-cash movements	190	84
Net cash (used in) from operating activities	(1,261)	338
INVESTING ACTIVITIES		
Purchase of non-trading investments	(2,210)	(1,455)
Sale and redemption of non-trading investments	2,599	1,196
Purchase of premises and equipment	(11)	(19)
Sale of premises and equipment	2	(1)
Investment in subsidiaries - net	(35)	(6)
Net cash from (used in) investing activities	345	(285)
FINANCING ACTIVITIES		
(Repayment) issue of certificates of deposit - net	(294)	55
Repayment of borrowings	-	(92)
Issue of additional / perpetual tier-1 capital*	390	-
Dividend paid to non-controlling interests	(5)	(3)
Net cash from (used in) financing activities	91	(40)
Net change in cash and cash equivalents	(825)	13
Effect of exchange rate changes on cash and cash equivalents	(25)	22
Cash and cash equivalents at beginning of the period	2,586	1,752
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**	1,736	1,787

*This includes 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\$ 343 million (31 March 2021: US\$ NIL).

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three-month period ended 31 March 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			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	-	-	-	31	-	-	-	-	31	-	12	43	
Other comprehensive income for the period	-	-	-	-	-	18	(41)	-	(23)	-	56	33	
Total comprehensive income for the period	-	-	-	31	-	18	(41)	-	8	-	68	76	
Dividend**	-	-	-	(31)	-	-	-	-	(31)	-	-	(31)	
Issue of additional / perpetual tier-1 capital	-	-	-	-	-	-	-	-	-	390	-	390	
Other equity movements in subsidiaries	-	-	-	(18)	-	-	-	-	(18)	-	-	(18)	
At 31 March 2022 (reviewed)	3,110	(6)	530	1,037	100	(932)	22	(30)	3,831	390	431	4,652	

* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US\$ 516 million (31 December 2021: US\$ 510 million).

** A dividend of US\$ 0.01 per share (2020: Nil) has been approved for payment at the Annual General Meeting held on 23 March 2022.

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Three-month period ended 31 March 2022 (Reviewed)

All figures in US\$ Million

	<i>Equity attributable to the shareholders of the parent</i>									<i>Additional /</i>	<i>Non-</i>	<i>Total</i>
										<i>perpetual</i>	<i>controlling</i>	<i>equity</i>
	<i>Share</i>	<i>Treasury</i>	<i>Statutory</i>	<i>Retained</i>	<i>General</i>	<i>Other reserves</i>			<i>capital</i>	<i>interests</i>		
<i>capital</i>	<i>shares</i>	<i>reserve</i>	<i>earnings</i>	<i>reserve</i>	<i>Foreign</i>	<i>Cumulative</i>	<i>Pension</i>					
					<i>exchange</i>	<i>changes in</i>	<i>fund</i>	<i>Total</i>				
					<i>translation</i>	<i>fair value</i>	<i>reserve</i>					
					<i>adjustments</i>							
At 31 December 2020	3,110	(6)	520	965	100	(902)	20	(40)	3,767	-	377	4,144
Profit for the period	-	-	-	30	-	-	-	-	30	-	6	36
Other comprehensive loss for the period	-	-	-	-	-	(52)	6	-	(46)	-	(25)	(71)
Total comprehensive income for the period	-	-	-	30	-	(52)	6	-	(16)	-	(19)	(35)
Other equity movements in subsidiaries	-	-	-	2	-	-	-	-	2	-	(9)	(7)
At 31 March 2021 (reviewed)	3,110	(6)	520	997	100	(954)	26	(40)	3,753	-	349	4,102

The attached notes 1 to 15 form part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (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, 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 (included as 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

31 March 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 consolidated financial statements.

4 NON-TRADING INVESTMENTS

	<i>Reviewed</i> 31 March 2022	<i>Audited</i> 31 December 2021
Debt securities		
At amortised cost	1,399	1,683
At FVOCI	6,451	6,755
	7,850	8,438
ECL allowances	(101)	(105)
Debt securities - net	7,749	8,333
Equity securities		
At FVOCI	15	17
	15	17
	7,764	8,350

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

	<i>31 March 2022 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	7,761	-	89	7,850
ECL allowances	(15)	-	(86)	(101)
	7,746	-	3	7,749
	<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)
	8,330	-	3	8,333

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Reviewed)

All figures in US\$ million

5 LOANS AND ADVANCES

	<i>31 March 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	16,346	725	664	1	17,736
ECL allowances	(132)	(78)	(503)	-	(713)
	16,214	647	161	1	17,023
	<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)
	15,930	732	105	1	16,768

An analysis of movement in the ECL allowances during the periods ended 31 March 2022 and 31 March 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	2	(19)	17	-
Amounts written-off	-	-	(24)	(24)
Charge for the period - net	16	5	6	27
Exchange adjustments and other movements	5	3	11	19
As at 31 March 2022	132	78	503	713
<u>Reviewed</u>	<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	-	(2)	2	-
Amounts written-off	-	-	(31)	(31)
Charge (reversal) for the period - net	7	(2)	17	22
Exchange adjustments and other movements	(2)	(1)	(7)	(10)
As at 31 March 2021	72	90	689	851

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (Reviewed)

All figures in US\$ million

6 OTHER OPERATING INCOME

	<i>Reviewed</i>	
	<i>31 March 2022</i>	<i>31 March 2021</i>
Fee and commission income - net*	43	35
Bureau processing income	7	6
Income from trading book - net	50	26
Loss on dealing in foreign currencies - net	(55)	(9)
Loss on hedging foreign currency movements**	3	(15)
Gain on disposal of non-trading debt investments - net	15	14
Others - net	7	3
	70	60

*Included in the fee and commission income is US\$ 3 million (31 March 2021: US\$ 3 million) of fee income relating to funds under management.

**Loss 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>31 March 2022</i>	<i>31 March 2021</i>
Non-trading debt investments	(4)	(2)
Loans and advances	27	22
Credit commitments and contingent items	2	-
	25	20

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

31 March 2022 (Reviewed)

All figures in US\$ million

8 OPERATING SEGMENTS (continued)

Three-month period ended 31 March 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	55	41	18	62	1	177
Other operating income	12	19	10	22	7	70
Total operating income	67	60	28	84	8	247
Total operating expenses	(39)	(28)	(7)	(37)	(19)	(130)
Profit (loss) before taxation, credit loss and unallocated operating expenses	28	32	21	47	(11)	117
Credit loss expense	(6)	(18)	3	(4)	-	(25)
Taxation charge on foreign operations	(8)	(2)	-	(10)	-	(20)
Unallocated operating expenses						(29)
Profit for the period						43
Operating assets as at 31 March 2022	6,296	8,749	10,144	9,373	188	34,750
Operating liabilities as at 31 March 2022	5,525	-	16,016	8,225	332	30,098
	<i>International</i>					
	<i>MENA subsidiaries</i>	<i>wholesale banking</i>	<i>Group treasury</i>	<i>ABC Brasil</i>	<i>Others</i>	<i>Total</i>
Three-month period ended 31 March 2021 (Reviewed)						
Net interest income	29	40	16	36	1	122
Other operating income	9	17	16	13	5	60
Total operating income	38	57	32	49	6	182
Total operating expenses	(25)	(27)	(5)	(24)	(17)	(98)
Profit (loss) before taxation, credit loss and unallocated operating expenses	13	30	27	25	(11)	84
Credit loss expense	(1)	(10)	-	(9)	-	(20)
Taxation (charge) reversal on foreign operations	(4)	(1)	-	4	-	(1)
Unallocated operating expenses						(27)
Profit for the period						36
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

31 March 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 31 March 2022 (Reviewed):

Financial assets measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	1,361	-	1,361
Non-trading investments	5,713	652	6,365
Loans and advances	-	672	672
Derivatives held for trading	356	627	983
Derivatives held as hedges	-	37	37

Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 March 2022 (Reviewed):

Financial liabilities measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading	346	474	820
Derivatives held as hedges	-	30	30

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (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>31 March 2022</i>		<i>31 December 2021</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)	1,399	1,400	1,683	1,684
Financial liabilities				
Borrowings - perpetual (level 1)	101	107	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>31 March 2022 (Reviewed)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Credit commitments and contingencies	3,137	148	93	-	3,378
ECL allowances	10	12	45	-	67

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 March 2022 (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 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	(2)	3	4	5
As at 31 March 2022	10	12	45	67
	<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	(3)	(3)	1	(5)
As at 31 March 2021	9	10	33	52

b) Credit commitments and contingencies

	<i>31 March 2022</i>	<i>31 December 2021</i>
Short-term self-liquidating trade and transaction-related contingent items	2,526	2,575
Direct credit substitutes, guarantees	3,148	2,777
Undrawn loans and other commitments	2,391	2,383
	8,065	7,735
Credit exposure after applying credit conversion factor	3,378	3,143
Risk weighted equivalents	2,715	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>31 March</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
Interest rate swaps	11,825	11,581
Currency swaps	418	401
Forward foreign exchange contracts	6,816	6,163
Options*	14,643	26,108
Futures	10,210	3,386
	43,912	47,639
	1,694	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 31 December 2021) 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 31 March 2022, the Group's LCR and NSFR were at 247% (31 December 2021: 228%) and 124% (31 December 2021: 128%) respectively.

	31 March 2022				31 December 2021					
	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:	4,121	-	-	-	4,121	4,132	-	-	-	4,132
Regulatory Capital	488	-	-	287	775	82	-	-	265	347
Other Capital Instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits and deposits from small business customers:	-	-	-	-	-	-	-	122	-	116
Stable deposits	-	-	122	-	116	-	1,500	315	203	1,836
Less stable deposits	-	1,413	244	161	1,652	-	-	-	-	-
Wholesale funding:	-	-	-	-	-	-	-	-	-	-
Operational deposits	-	14,782	5,019	6,581	12,707	-	16,197	4,402	6,821	12,888
Other wholesale funding	-	-	-	-	-	-	-	-	-	-
Other liabilities:	-	-	-	-	-	-	-	-	-	-
NSFR derivative liabilities	-	-	-	-	-	27	-	-	-	-
All other liabilities not included in the above categories	-	681	-	-	-	-	137	-	-	-
Total ASF (A)					19,371					19,319

11 RISK MANAGEMENT (continued)

	31 March 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>
Required Stable Funding (RSF):										
Total NSFR high-quality liquid assets (HQLA)	7,580	104	-	-	500	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	-	2,766	1,016	811	1,729	-	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:	-	6,191	2,425	5,616	9,082	-	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	-	-	-	143	93	-	-	-	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	-	157	1,011	1,949	2,240	-	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	-	169	-	-	169	-	5	-	-	5
All other assets not included in the above categories	1,988	328	64	1,149	1,447	2,508	264	68	1,016	1,298
OBS items	-	7,938	-	-	397	-	7,266	-	-	363
Total RSF (B)					15,657					15,106
NSFR (A/B)					124%					128%

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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>31 March 2022 (Reviewed)</i>
Deposits from customers	3,152	700	6	3,858
Borrowings	1,115	-	-	1,115
Additional / perpetual tier-1 capital	390	-	-	390
Short-term self-liquidating trade and transaction-related contingent items	309	-	-	309
	<i>Ultimate parent</i>	<i>Major share- holder</i>	<i>Directors</i>	<i>31 December 2021</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>31 March 2022 Reviewed</i>	<i>31 March 2021</i>
Commission income	2	2
Interest expense	46	20

13 IMPACT OF COVID-19

The Group has performed an assessment of COVID-19 implications on its financial results, expected credit loss (ECL) methodology, use of forward looking information and judgements for the period ended 31 March 2022 which has largely remained unchanged from 31 December 2021.

The Group continues to closely monitor the global economic situation to ensure operational resilience and continuity of its operations.

Obligors seeking forbearance in the form of a deferral of repayments or interest as a result of the impact of COVID-19 have been treated in line with local regulatory guidelines in each jurisdiction. The staging and ECL estimation for such customers and any associated reporting are also done in line with regulatory guidance. The Group also continues to closely monitor such for any indicators of significant increase in risk (SICR).

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13 IMPACT OF COVID-19 (continued)

As of 31 March 2022, the outstanding balance of customers to whom such payment holidays have been provided amounted to US\$ 104 million (31 December 2021: US\$ 396 million).

Consistent with requirements of IFRS 9, the Group has considered both quantitative and qualitative information in the assessment of SICR for the purposes of staging. As the Group has not granted any interest waiver requests, no modification loss has been recognised during the period ended 31 March 2022 and 31 March 2021.

14 ADDITIONAL / PERPETUAL TIER 1 CAPITAL

	<i>31 March 2022 (Reviewed)</i>	<i>31 December 2021 (Audited)</i>
Issued by the Group	390	-

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.

15 BUSINESS COMBINATION ON ACQUISITION

15.1 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, among 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 which is expected to conclude during Q3 2022 and is 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 three-month period ended 31 March 2022.

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15 BUSINESS COMBINATION ON ACQUISITION (continued)

15.1 Acquisition of Blom Bank Egypt (continued)

a) Goodwill

Goodwill calculated based on a provisional purchase price allocation has been included in the 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.