

Arab Banking Corporation (B.S.C.)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 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 30 September 2022, comprising of the interim consolidated statement of financial position as at 30 September 2022 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 2022
Manama, Kingdom of Bahrain

Arab Banking Corporation (B.S.C.)


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022 (Reviewed)


All figures in US\$ Million

		<i>Reviewed</i>	<i>(Restated)</i>
	<i>Notes</i>	<i>30 September</i>	<i>31 December</i>
		<i>2022</i>	<i>2021</i>
ASSETS			
Liquid funds		2,056	2,626
Trading securities		811	902
Placements with banks and other financial institutions		2,486	3,031
Securities bought under repurchase agreements		1,240	698
Non-trading investments	4	7,587	8,390
Loans and advances	5	17,350	16,716
Other assets		3,022	2,219
Premises and equipment		279	319
TOTAL ASSETS		34,831	34,901
LIABILITIES			
Deposits from customers		21,175	20,734
Deposits from banks		3,521	4,388
Certificates of deposit		493	725
Securities sold under repurchase agreements		1,703	2,011
Taxation		70	83
Other liabilities		2,133	1,514
Borrowings		1,240	1,211
Total liabilities		30,335	30,666
EQUITY			
Share capital		3,110	3,110
Treasury shares		(6)	(6)
Statutory reserve		530	530
Retained earnings		1,111	1,055
Other reserves		(1,040)	(817)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		3,705	3,872
Additional / perpetual tier-1 capital	13	390	-
Equity attributable to the shareholders of the parent and perpetual instrument holders		4,095	3,872
Non-controlling interests		401	363
Total equity		4,496	4,235
TOTAL LIABILITIES AND EQUITY		34,831	34,901


These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 13 November 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

Nine-month period ended 30 September 2022 (Reviewed)

All figures in US\$ Million

	Notes	Reviewed		Reviewed	
		Three months ended		Nine months ended	
		30 September	30 September	30 September	30 September
		2022	2021	2022	2021
OPERATING INCOME					
Interest and similar income		539	373	1,435	848
Interest and similar expense		(345)	(214)	(871)	(429)
Net interest income		194	159	564	419
Other operating income	6	77	60	227	207
Total operating income		271	219	791	626
OPERATING EXPENSES					
Staff		109	88	308	244
Premises and equipment		13	13	40	36
Other		41	46	146	120
Total operating expenses		163	147	494	400
NET OPERATING PROFIT BEFORE CREDIT LOSS EXPENSE AND TAXATION					
		108	72	297	226
Credit loss expense	7	(27)	(29)	(78)	(78)
PROFIT BEFORE TAXATION		81	43	219	148
Taxation charge on foreign operations		(22)	(11)	(64)	(47)
PROFIT FOR THE PERIOD		59	32	155	101
Profit attributable to non-controlling interests		(15)	(7)	(41)	(21)
PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT		44	25	114	80
BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US\$)					
		0.01	0.01	0.04	0.03



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

Nine-month period ended 30 September 2022 (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>	
	2022	2021	2022	2021
PROFIT FOR THE PERIOD	59	32	155	101
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	(55)	(80)	(84)	(39)
<u>Debt instruments at FVOCI:</u>				
Net change in fair value during the period	(6)	(3)	(128)	39
Other comprehensive loss for the period	(61)	(83)	(212)	-
TOTAL COMPREHENSIVE				
(LOSS) INCOME FOR THE PERIOD	(2)	(51)	(57)	101
Attributable to:				
Shareholders of the parent	(6)	(29)	(109)	92
Non-controlling interests	4	(22)	52	9
	(2)	(51)	(57)	101

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

Nine-month period ended 30 September 2022 (Reviewed)

All figures in US\$ million

	Reviewed	
	<i>Nine months ended</i>	
	<i>30 September</i>	
	2022	2021
OPERATING ACTIVITIES		
Profit for the period	155	101
Adjustments for:		
Credit loss expense	78	78
Depreciation and amortisation	43	38
Gain on disposal of non-trading debt investments - net	(13)	(21)
Changes in operating assets and liabilities:		
Treasury bills and other eligible bills	7	(13)
Trading securities	126	(675)
Placements with banks and other financial institutions	188	(1,110)
Securities bought under repurchase agreements	(560)	620
Loans and advances	(1,396)	(1,917)
Other assets	(818)	(764)
Deposits from customers*	1,819	3,895
Deposits from banks	(758)	501
Securities sold under repurchase agreements	(295)	228
Other liabilities	637	510
Other non-cash movements	369	(215)
Net cash (used in) from operating activities	(418)	1,256
INVESTING ACTIVITIES		
Purchase of non-trading investments	(3,682)	(3,701)
Sale and redemption of non-trading investments	3,851	3,393
Purchase of premises and equipment	(23)	(66)
Sale of premises and equipment	4	7
Investment in subsidiaries - net	(38)	(13)
Purchase of subsidiary net of cash and cash equivalents acquired	-	(285)
Net cash from (used in) investing activities	112	(665)
FINANCING ACTIVITIES		
(Repayment) issue of certificates of deposit - net	(165)	35
Repayment of borrowings	(9)	(94)
Issue of borrowings	30	1
Interest paid on additional / perpetual tier-1 capital	(9)	-
Dividend paid to the Group's shareholders	(31)	-
Dividend paid to non-controlling interests	(17)	(10)
Net cash used in financing activities	(201)	(68)
Net change in cash and cash equivalents	(507)	523
Effect of exchange rate changes on cash and cash equivalents	(57)	(26)
Cash and cash equivalents at beginning of the period	2,586	1,752
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD**	2,022	2,249

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

**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\$ 34 million (30 September 2021: US\$ 13 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

Nine-month period ended 30 September 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	-	-	-	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)	-	-	(31)
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)	-	(14)	(32)
At 30 September 2022 (reviewed)	3,110	(6)	530	1,111	100	(1,045)	(65)	(30)	3,705	390	401	4,496

* 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 period.

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

Nine-month period ended 30 September 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>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>				<i>Total</i>
At 31 December 2020	3,110	(6)	520	965	100	(902)	20	(40)	3,767	-	377	4,144
Profit for the period	-	-	-	80	-	-	-	-	80	-	21	101
Other comprehensive (loss) income for the period	-	-	-	-	-	(27)	39	-	12	-	(12)	-
Total comprehensive income (loss) for the period	-	-	-	80	-	(27)	39	-	92	-	9	101
Other equity movements in subsidiaries	-	-	-	1	-	-	-	-	1	-	(17)	(16)
At 30 September 2021 (reviewed)	3,110	(6)	520	1,046	100	(929)	59	(40)	3,860	-	369	4,229

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 (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 September 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>	<i>(Restated)</i>
	<i>30 September</i>	<i>Audited</i>
	<i>2022</i>	<i>31 December</i>
		<i>2021</i>
Debt securities		
At amortised cost	1,311	1,683
At FVOCI	6,348	6,795
	7,659	8,478
ECL allowances	(87)	(105)
Debt securities - net	7,572	8,373
Equity securities		
At FVOCI	15	17
	15	17
	7,587	8,390

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

	<i>30 September 2022 (Reviewed)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	7,586	-	73	7,659
ECL allowances	(14)	-	(73)	(87)
	7,572	-	-	7,572
	<i>31 December 2021 (Audited) (Restated)</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Debt securities, gross	8,389	-	89	8,478
ECL allowances	(19)	-	(86)	(105)
	8,370	-	3	8,373

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

All figures in US\$ million

5 LOANS AND ADVANCES

	<i>30 September 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	16,760	679	546	1	17,986
ECL allowances	(156)	(65)	(415)	-	(636)
	16,604	614	131	1	17,350
	<i>31 December 2021 (Audited) (Restated)</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Loans and advances, gross	15,987	821	598	1	17,407
ECL allowances	(109)	(89)	(493)	-	(691)
	15,878	732	105	1	16,716

An analysis of movement in the ECL allowances during the periods ended 30 September 2022 and 30 September 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	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
<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	(1)	-	1	-
Amounts written-off	-	-	(36)	(36)
Charge for the period - net	19	-	50	69
Exchange adjustments and other movements	15	7	35	57
As at 30 September 2021	100	102	758	960

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

All figures in US\$ million

6 OTHER OPERATING INCOME

	<i>Reviewed</i>	
	<u>30 September</u> 2022	<u>30 September</u> 2021
Fee and commission income - net*	140	126
Bureau processing income	24	22
Net gain from derivatives	42	20
Net (loss) gain on trading securities	(25)	10
Net gain on foreign currency contracts	5	3
Gain / (loss) on hedging foreign currency movements**	1	(10)
Gain on disposal of non-trading debt investments - net	13	21
Others - net	27	15
	227	207

*Included in the fee and commission income is US\$ 10 million (30 September 2021: US\$ 10 million) of fee income relating to funds under management.

**Gain / (loss) on hedging foreign currency movements relate to a transaction which has an offsetting impact on the tax expense for 2021.

7 CREDIT LOSS EXPENSE

	<i>Reviewed</i>	
	<u>30 September</u> 2022	<u>30 September</u> 2021
Non-trading debt investments	(7)	-
Loans and advances	80	69
Credit commitments and contingent items	5	9
	78	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 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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 September 2022 (Reviewed):

Financial assets measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	811	-	811
Non-trading investments	5,340	936	6,276
Loans and advances	-	681	681
Derivatives held for trading	324	484	808
Derivatives held as hedges	-	127	127

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

Financial liabilities measured at fair value:

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading	283	493	776
Derivatives held as hedges	-	1	1

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 (Restated)	5,945	762	6,707
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

30 September 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 (Restated)</i>	
	<i>30 September 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)	1,311	1,273	1,683	1,684
Financial liabilities				
Borrowings - perpetual (level 1)	88	99	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 September 2022 (Reviewed)</i>			<i>Total</i>
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	
Credit commitments and contingencies	3,137	95	78	3,310
ECL allowances	6	9	30	45

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 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	(6)	-	(11)	(17)
As at 30 September 2022 (reviewed)	6	9	30	45
	<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)	(3)	8	4
As at 30 September 2021 (reviewed)	11	10	40	61

b) Credit commitments and contingencies

	<i>Reviewed 30 September 2022</i>	<i>Audited 31 December 2021</i>
Short-term self-liquidating trade and transaction-related contingent items	2,513	2,575
Direct credit substitutes, guarantees	2,819	2,777
Undrawn loans and other commitments	2,281	2,383
	7,613	7,735
Credit exposure after applying credit conversion factor	3,310	3,143
Risk weighted equivalents	2,601	2,562

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (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>2022</i>	<i>Audited</i> <i>31 December</i> <i>2021</i>
Interest rate swaps	11,808	11,581
Currency swaps	363	401
Forward foreign exchange contracts	7,033	6,163
Options*	8,529	26,108
Futures	4,260	3,386
	31,993	47,639
Risk weighted equivalents (credit and market risk)	1,208	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% 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 2022, the Group's LCR and NSFR were at 220% (31 December 2021: 228%) and 122% (31 December 2021: 128%) respectively.

	30 September 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:										
Regulatory Capital	3,988	-	-	-	3,988	4,132	-	-	-	4,132
Other Capital Instruments	473	-	-	294	767	82	-	-	265	347
Retail deposits and deposits from small business customers:										
Stable deposits	-	-	125	-	119	-	-	122	-	116
Less stable deposits	-	1,418	259	216	1,725	-	1,500	315	203	1,836
Wholesale funding:										
Operational deposits										
Other wholesale funding	-	14,876	4,152	7,285	12,341	-	16,197	4,402	6,821	12,888
Other liabilities:										
NSFR derivative liabilities	-	-	-	-	-	-	27	-	-	-
All other liabilities not included in the above categories	-	968	-	-	-	-	137	-	-	-
Total ASF (A)					18,940					19,319

11 RISK MANAGEMENT (continued)

	30 September 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
Required Stable Funding (RSF):										
Total NSFR high-quality liquid assets (HQLA)	6,888	138	-	-	452	8,307	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	-	4,145	835	598	1,604	-	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:	-	7,152	1,943	5,318	9,068	-	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				198	129	-	-	-	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	-	536	579	1,426	1,769	-	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	-	157	-	-	157	-	-	-	-	-
NSFR derivative liabilities before deduction of variation margin posted	-	-	-	-	-	-	5	-	-	5
All other assets not included in the above categories	1,788	287	26	1,735	2,025	2,508	264	68	1,016	1,298
OBS items	-	7,678	-	-	384	-	7,266	-	-	363
Total RSF (B)					15,588					15,106
NSFR (A/B)					122%					128%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

All figures in US\$ million

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 September 2022 (Reviewed)</i>
Deposits from customers	3,145	-	6	3,151
Borrowings	1,115	-	-	1,115
Additional / perpetual tier-1 capital*	390	-	-	390
Short-term self-liquidating trade and transaction-related contingent items	369	-	-	369
	<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

* During the period, the Group has paid interest on additional / perpetual tier-1 capital amounting to 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 2022 Reviewed</i>	<i>30 September 2021</i>
Commission income	6	9
Interest expense	72	36

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 an appropriation of profits.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

*All figures in US\$ million***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% stake (including stake bought through mandatory tender offer) 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 which 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. During the quarter ended 30 September 2022, the Group finalised the purchase price allocation (PPA) and has accordingly allocated the purchase consideration to identifiable assets and liabilities (including contingent liabilities acquired) and goodwill arising on acquisition.

14.2 Purchase consideration

	<i>Cash flow on acquisition for the period</i>
	<u>30 September 2021</u>
Net cash acquired with the subsidiary	141
Cash paid	(426)
Net cash flow on acquisition	<u><u>(285)</u></u>

14.3 Acquisition related costs

During 2022, the Group incurred acquisition related costs on account of fees to third parties for legal, valuation and transaction services as well as costs of third party consultants working on the acquisition amounting to US\$ 9 million (2021: US\$ 12 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

*All figures in US\$ million***14 BUSINESS COMBINATION ON ACQUISITION (continued)****14.4 Assets acquired and liabilities assumed**

Following table summarises the fair values of assets and liabilities assumed as at the date of acquisition:

	<i>Fair value recognised on acquisition</i>
	<u>USD in millions</u>
Assets	
Liquid funds	141
Trading securities	2
Placements with banks and other financial institutions	897
Securities bought under repurchase agreements	46
Non-trading investments	1,084
Loans and advances	717
Other assets	58
Premises and equipment	100
	<u>3,045</u>
Liabilities	
Deposits from customers	2,262
Deposits from banks	5
Certificates of deposit	372
Securities sold under repurchase agreements	19
Taxation	4
Other liabilities	54
Borrowings	3
	<u>2,719</u>
Group's share of total identifiable net assets at fair value	324
Goodwill	80
Other intangibles	22
	<u>426</u>
Total purchase consideration	426

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

All figures in US\$ million

14 BUSINESS COMBINATION ON ACQUISITION (continued)

14.5 Acquired Receivables

For each class of acquired receivables, the fair value, gross contractual amounts receivable and the contractual cash flows not expected to be collected are as follows:

<i>(Restated)</i>	<i>Fair value of the acquired receivable</i>	<i>Gross contractual amount receivable</i>	<i>Contractual cash flows not expected to be collected</i>
Liquid funds	141	141	-
Trading securities	2	2	-
Placements with banks and other financial institutions	897	897	-
Securities bought under repurchase agreements	46	46	-
Non-trading investments	1,084	1,081	(1)
Loans and advances	717	839	(95)
Other financial assets	49	49	-
Total	2,936	3,055	(96)

14.6 Goodwill

Goodwill calculated based on a provisional purchase price allocation (PPA) had been included in the consolidated financial statements as at 31 December 2021. Subsequent adjustments during the measurement period occurred as the Group completed its estimation of fair values of assets acquired and liabilities assumed and finalised PPA. The goodwill recognised is primarily attributable to the expected future earnings of the acquired business and synergies created. Below is the movement in goodwill:

As at 31 December 2021 (as previously reported)	96
Adjustments due to finalisation of PPA	(16)
As at 31 December 2021 (restated)	80
Exchange rate movement	(16)
As at 30 September 2022	64

14.7 Valuation approach and methodologies – other intangibles

Core Deposits Intangible (CDI)

The Group has adopted the discounted cost savings approach, a variant of the income approach, in valuation of the core deposit intangible (CDI). Under this approach, CDI is valued as the difference between the cost of Blom Bank Egypt's core deposits under each deposit category and currency, and the cost of the alternative source of funds specific to the relevant currency and tenure for each deposit category. The above spread between Blom Bank Egypt's all in cost of funding and alternate cost of funding is then discounted to present value using a risk adjusted discount rate.

The analysis has considered current and savings account. The assumed attrition and referral fee and assumptions for fees and commissions are based on a historical analysis of deposit balances from existing customers.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 September 2022 (Reviewed)

*All figures in US\$ million***14 BUSINESS COMBINATION ON ACQUISITION (continued)****14.8 Purchase price allocation**

The Bank has completed a comprehensive purchase price allocation in the current quarter focusing on, but not limited to, valuation adjustments to the following:

- recognition of intangible assets (core deposits intangible);
- non-trading investments
- loans and advances;
- premises and equipment; and
- other recognised financial and non-financial assets and liabilities.

The completion of the purchase price allocation exercise within twelve months from the acquisition date, including restatement of provisional fair values at which the net assets were acquired from Blom Bank Egypt, has had the following impact on the line items of the consolidated statement of financial position as at 31 December 2021:

Interim consolidated statement of financial position

<i>Description</i>	<i>Previously reported as at 31 December 2021</i>	<i>Effect of restatement</i>	<i>Restated - 31 December 2021</i>
Non-trading investments	8,350	40	8,390
Loans and advances	16,768	(52)	16,716
Other assets	2,213	6	2,219
Premises and equipment	309	10	319
Total assets	34,897	4	34,901
Taxation	79	4	83
Total liabilities	30,662	4	30,666