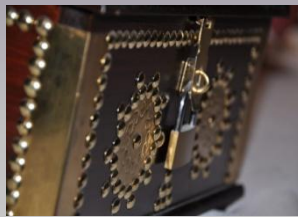




Gulf International Bank B.S.C.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the nine months ended 30th September 2012



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the nine months ended 30th September 2012**TABLE OF CONTENTS****Independent auditor's review report to the Board of Directors**

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Independent auditors' report on review of condensed consolidated interim financial information

The Board of Directors
Gulf International Bank BSC
PO Box 1017
Manama
Kingdom of Bahrain

1 November 2012

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Gulf International Bank BSC (the "Bank") and its subsidiaries (together the "Group") as at 30 September 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the nine month period then ended, and explanatory notes ("the condensed consolidated interim financial information"). The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 - *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 - *Interim Financial Reporting*.

Consolidated statement of financial position

| | <i>Note</i> | <u>30.9.12</u> US\$ millions | <u>31.12.11</u> US\$ millions |
|---|-------------|---------------------------------|----------------------------------|
| ASSETS | | | |
| Cash and other liquid assets | | 952.3 | 858.7 |
| Securities purchased under agreements to resell | | 411.0 | 280.0 |
| Placements | | 5,907.8 | 5,394.0 |
| Trading securities | | 98.2 | 83.7 |
| Investment securities | 7 | 3,432.3 | 3,151.7 |
| Loans and advances | 8 | 6,789.5 | 6,751.8 |
| Other assets | | 353.4 | 269.0 |
| Total assets | | <u>17,944.5</u> | <u>16,788.9</u> |
| LIABILITIES | | | |
| Deposits from banks | | 2,522.8 | 1,549.3 |
| Deposits from customers | | 9,573.8 | 8,520.3 |
| Securities sold under agreements to repurchase | | 367.3 | 283.3 |
| Other liabilities | | 421.9 | 305.1 |
| Senior term financing | | 2,466.8 | 3,690.3 |
| Subordinated term financing | | 477.8 | 477.8 |
| Total liabilities | | <u>15,830.4</u> | <u>14,826.1</u> |
| EQUITY | | | |
| Share capital | | 2,500.0 | 2,500.0 |
| Reserves | 9 | 315.2 | 246.0 |
| Retained earnings | | (701.1) | (783.2) |
| Total equity | | <u>2,114.1</u> | <u>1,962.8</u> |
| Total liabilities & equity | | <u>17,944.5</u> | <u>16,788.9</u> |

The condensed interim consolidated financial statements were approved by the Board of Directors on 1st November 2012 and signed on its behalf by:-

Jammaz bin Abdullah Al-Suhaimi
Chairman

Abdullah bin Hassan Al-Abdul-Gader
Chairman of Board Audit Committee

Yahya bin Abdullah Alyahya
Chief Executive Officer

The notes on pages 6 to 12 form part of these condensed interim consolidated financial statements.

Consolidated statement of income

| | Note | Three months ended | | Nine months ended | |
|---|------|--------------------|-----------------|-------------------|-----------------|
| | | 30.9.12 | 30.9.11 | 30.9.12 | 30.9.11 |
| | | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| Interest income | | 76.6 | 63.9 | 218.6 | 202.8 |
| Interest expense | | 35.3 | 32.5 | 109.8 | 97.3 |
| Net interest income | | 41.3 | 31.4 | 108.8 | 105.5 |
| Fee and commission income | 3 | 13.1 | 10.5 | 40.7 | 37.0 |
| Foreign exchange income | 4 | 9.1 | 3.1 | 20.0 | 8.4 |
| Trading income | 5 | 6.2 | 1.7 | 11.4 | 6.2 |
| Other income | 6 | 3.9 | 4.6 | 12.5 | 13.0 |
| Total income | | 73.6 | 51.3 | 193.4 | 170.1 |
| Staff expenses | | 22.5 | 19.6 | 64.7 | 57.0 |
| Premises expenses | | 2.6 | 2.7 | 7.6 | 7.3 |
| Other operating expenses | | 8.1 | 6.6 | 23.4 | 19.9 |
| Total operating expenses | | 33.2 | 28.9 | 95.7 | 84.2 |
| Net income before provisions and tax | | 40.4 | 22.4 | 97.7 | 85.9 |
| Provisions for investment securities | 7 | - | - | 11.3 | (4.8) |
| Provisions for loans and advances | 8 | 0.4 | 0.6 | (9.3) | 5.9 |
| Net income before tax | | 40.8 | 23.0 | 99.7 | 87.0 |
| Taxation charge on overseas activities | | (1.8) | (0.8) | (2.7) | (2.4) |
| Net income | | 39.0 | 22.2 | 97.0 | 84.6 |
| <i>Earnings per share</i> | 12 | <i>US\$0.02</i> | <i>US\$0.01</i> | <i>US\$0.04</i> | <i>US\$0.03</i> |

Jammaz bin Abdullah Al-Suhaimi
Chairman

Abdullah bin Hassan Al-Abdul-Gader
Chairman of Board Audit Committee

Yahya bin Abdullah Alyahya
Chief Executive Officer

The notes on pages 6 to 12 form part of these condensed interim consolidated financial statements.

Consolidated statement of comprehensive income

| | Three months ended | | Nine months ended | |
|--|--------------------|---------------|-------------------|---------------|
| | 30.9.12 | 30.9.11 | 30.9.12 | 30.9.11 |
| | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| Net income | 39.0 | 22.2 | 97.0 | 84.6 |
| Other comprehensive income:- | | | | |
| Cash flow hedges: | | | | |
| - net changes in fair value | (0.1) | 0.1 | 0.1 | 0.5 |
| - net amount transferred to consolidated statement of income | (0.3) | (1.1) | (1.5) | (2.7) |
| Investment securities: | | | | |
| - net changes in fair value of investments classified as fair value through other comprehensive income | (2.0) | - | (7.8) | - |
| - net changes in fair value of investments classified as available-for-sale | - | (71.1) | - | (68.4) |
| - net amount transferred to consolidated statement of income | - | 3.1 | - | 3.3 |
| - realised losses on investments classified as fair value through other comprehensive income | 0.1 | - | (0.1) | - |
| Total other comprehensive income | (2.3) | (69.0) | (9.3) | (67.3) |
| Total comprehensive income | 36.7 | (46.8) | 87.7 | 17.3 |

The notes on pages 6 to 12 form part of these condensed interim consolidated financial statements.

Consolidated statement of changes in equity

| | | Share capital | Reserves US\$ millions | Retained earnings US\$ millions | Total US\$ millions |
|--|-------------|------------------|------------------------------|---------------------------------------|------------------------|
| | <i>Note</i> | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| At 1st January 2012 | | 2,500.0 | 246.0 | (783.2) | 1,962.8 |
| Transition adjustment on adoption of IFRS 9 | 2 | - | 78.4 | (14.8) | 63.6 |
| At 1st January 2012 - restated | | 2,500.0 | 324.4 | (798.0) | 2,026.4 |
| Net income for the period | | - | - | 97.0 | 97.0 |
| Other comprehensive income for the period | | - | (9.2) | (0.1) | (9.3) |
| Total comprehensive income for the period | | - | (9.2) | 96.9 | 87.7 |
| At 30th September 2012 | | 2,500.0 | 315.2 | (701.1) | 2,114.1 |
| At 1st January 2011 | | 2,500.0 | 288.7 | (870.7) | 1,918.0 |
| Net income for the period | | - | - | 84.6 | 84.6 |
| Other comprehensive income for the period | | - | (67.3) | - | (67.3) |
| Total comprehensive income for the period | | - | (67.3) | 84.6 | 17.3 |
| At 30th September 2011 | | 2,500.0 | 221.4 | (786.1) | 1,935.3 |

The notes on pages 6 to 12 form part of these condensed interim consolidated financial statements.

Consolidated statement of cash flows

| | Nine months ended 30.9.12 US\$ millions | Nine months ended 30.9.11 US\$ millions |
|--|--|--|
| OPERATING ACTIVITIES | | |
| Net income | 97.0 | 84.6 |
| Adjustments to reconcile net income to net cash inflow from operating activities: | | |
| Provisions for investment securities | (11.3) | 4.8 |
| Provisions for loans and advances | 9.3 | (5.9) |
| Realised profit on investment securities | (0.4) | (5.3) |
| Amortisation of investment securities | 16.1 | 15.2 |
| Net increase in securities purchased under agreements to resell | (131.0) | (105.8) |
| Net increase in placements | (513.8) | (788.7) |
| Net increase in trading securities | (14.5) | (3.3) |
| Net (increase) / decrease in loans and advances | (47.0) | 691.2 |
| Increase in accrued interest receivable | (14.8) | (12.0) |
| Increase in accrued interest payable | 6.1 | 8.3 |
| Net decrease in other net assets | 29.8 | 10.5 |
| Net increase / (decrease) in deposits from banks | 973.5 | (244.0) |
| Net increase in deposits from customers | 1,053.5 | 1,068.5 |
| Net increase / (decrease) in securities sold under agreements to repurchase | 84.0 | (703.2) |
| Net cash inflow from operating activities | 1,536.5 | 14.9 |
| INVESTING ACTIVITIES | | |
| Purchase of investment securities | (1,114.2) | (792.7) |
| Sale and maturity of investment securities | 894.8 | 506.5 |
| Net cash outflow from investing activities | (219.4) | (286.2) |
| FINANCING ACTIVITIES | | |
| Net (decrease) / increase in senior term financing | (1,223.5) | 300.1 |
| Net decrease in subordinated term financing | - | (3.0) |
| Net cash (outflow) / inflow from financing activities | (1,223.5) | 297.1 |
| Increase in cash and cash equivalents | 93.6 | 25.8 |
| Cash and cash equivalents at 1st January | 858.7 | 863.9 |
| Cash and cash equivalents at 30th September | 952.3 | 889.7 |

The notes on pages 6 to 12 form part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

1. Incorporation and registration

The parent company of the Group (the Group), Gulf International Bank B.S.C. (the Bank), is a Bahraini Shareholding Company incorporated in the Kingdom of Bahrain by Amiri Decree Law No. 30 dated 24th November 1975 and is registered as a conventional wholesale bank with the Central Bank of Bahrain. The registered office of the Bank is located at Al-Dowali Building, 3 Palace Avenue, Manama, Kingdom of Bahrain.

The Group is principally engaged in the provision of wholesale commercial and investment banking services. The Group operates through subsidiaries, branch offices and representative offices located in six countries worldwide.

2. Accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed interim consolidated financial statements for the nine months ended 30th September 2012 have been prepared in compliance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting. The accounting policies have been consistently applied by the Bank and its subsidiaries and are consistent with those of the previous year, as set out in the consolidated financial statements for the year ended 31st December 2011, except for the early adoption of IFRS 9 Financial Instruments: Recognition and Measurement with effect from 1st January 2012 as referred to below.

IFRS 9 Financial Instruments: Recognition and Measurement

The Group has adopted IFRS 9 Financial Instruments: Recognition and Measurement (IFRS 9) in advance of its compulsory effective date. The Group has chosen 1st January 2012 as the date of initial application, i.e. the date on which the Group has assessed the classification and measurement of its existing financial assets and financial liabilities. The Group has voluntarily early adopted this standard, as it is considered to result in the recognition and measurement of financial instruments on a basis that more appropriately reflects the operations and performance of the Group.

The standard has been applied retrospectively and, as permitted by IFRS 9, comparative amounts have not been restated. The impact of the early adoption of IFRS 9 at 1st January 2012 has been recognised in retained earnings and the investment securities revaluation reserve at that date.

IFRS 9 specifies how an entity should classify and measure its financial assets and financial liabilities. IFRS 9 requires all financial assets to be classified in their entirety on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Financial assets, including debt instruments, are measured at amortised cost using the effective interest rate method if:

- i) the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of these two criteria is not met, the financial assets are classified and measured at fair value, either through the profit or loss (FVTPL) or through other comprehensive income (FVTOCI). Additionally, even if a financial asset meets the amortised cost criteria, the entity may choose at initial recognition to designate the financial asset at FVTPL.

Investments in equity instruments are classified as FVTPL, unless the Group designates an equity investment that is not held for trading as FVTOCI on initial recognition. At initial recognition, the Group can make an irrevocable election on an instrument-by-instrument basis to designate equity investments as FVTOCI. If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the consolidated statement of income.

A financial asset is held for trading if:

- i) it has been acquired principally for the purpose of selling in the near term;
- ii) on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profitability; or
- iii) it is a derivative and not designated and effective as a hedging instrument or a financial guarantee.

Only financial assets that are measured at amortised cost are tested for impairment.

The Group's existing financial assets at the date of the initial application of IFRS 9 on 1st January 2012 have been reviewed and assessed, and as a result:-

- the Group's investments in debt instruments meeting the required criteria have been classified as financial assets at amortised cost;
- the Group's equity investments not held for trading have been designated as FVTOCI; and
- the Group's remaining investments in equity and debt instruments have been designated as FVTPL.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

2. Accounting policies (continued)

Financial liabilities previously measured at amortised cost under IAS 39 have been classified and measured under IFRS 9 at amortised cost using the effective interest rate method. There have been no changes in the classification and measurement of financial liabilities on the adoption of IFRS 9.

This change in accounting policy has been applied retrospectively in accordance with the transitional provisions of IFRS 9, where no restatement of comparative figures is required.

The impact of this change in accounting policy at the beginning of the current period on 1st January 2012 has been to decrease retained earnings by US\$14.8 million, and to increase the investment securities revaluation reserve by US\$78.4 million as follows:-

| | <u>Retained earnings</u> | <u>Investment securities revaluation reserve</u> |
|---|--------------------------|--|
| | US\$ millions | US\$ millions |
| <u>Due to reclassification of financial assets:</u> | | |
| Financial assets measured at FVTOCI | (14.8) | 14.8 |
| Financial assets measured at amortised cost | - | 63.6 |
| | <u>(14.8)</u> | <u>78.4</u> |

If IFRS 9 had not been adopted during the current period, the consolidated statement of income for the period ended 30th September 2012 would have been impacted by a decrease in net income of US\$0.1 million resulting from the recognition of realised losses on equity investments that have been accounted for in retained earnings in accordance with IFRS 9.

Additional disclosures, reflecting the revised classification and measurement of financial assets of the Group as a result of adopting IFRS 9, are shown in notes 7 and 9 to the condensed interim consolidated financial statements.

The table below illustrates the classification and measurement of financial assets under IAS 39 and IFRS 9 at the date of initial application on 1st January 2012:-

| | <u>Original measurement category, IAS 39</u> | <u>New measurement category, IFRS 9</u> | <u>Original carrying amount</u> | <u>New carrying amount</u> |
|---|--|---|---------------------------------|----------------------------|
| | | | US\$ millions | US\$ millions |
| Cash and other liquid assets: | | | | |
| - Liquid assets | Held-to-maturity | Financial assets at amortised cost | 763.9 | 763.9 |
| - Cash and balances with banks | Loans and receivables | Financial assets at amortised cost | 94.8 | 94.8 |
| Securities purchased under agreements to resell | Held-to-maturity | Financial assets at amortised cost | 280.0 | 280.0 |
| Placements | Held-to-maturity | Financial assets at amortised cost | 5,394.0 | 5,394.0 |
| Trading securities | Financial assets at FVTPL | Financial assets at FVTPL | 83.7 | 83.7 |
| Investment securities: | | | | |
| - Debt securities | Available-for-sale | Financial assets at amortised cost | 2,848.8 | 2,912.4 |
| - Equities | Available-for-sale | Financial assets at FVTOCI | 302.9 | 302.9 |
| Loans and advances | Loans and receivables | Financial assets at amortised cost | 6,751.8 | 6,751.8 |
| Other assets: | | | | |
| - Interest and other assets | Loans and receivables | Financial assets at amortised cost | 187.9 | 187.9 |
| - Positive fair value of derivatives | Financial assets at FVTPL | Financial assets at FVTPL | 81.1 | 81.1 |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

3. Fee and commission income

| | Three months ended | | Nine months ended | |
|--|--------------------|---------------|-------------------|---------------|
| | 30.9.12 | 30.9.11 | 30.9.12 | 30.9.11 |
| | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| Fee and commission income | | | | |
| Commissions on letters of credit and guarantee | 6.5 | 4.9 | 21.9 | 17.3 |
| Investment banking and management fees | 5.7 | 5.4 | 17.0 | 18.7 |
| Other fee and commission income | 1.3 | 0.6 | 2.9 | 2.1 |
| Total fee and commission income | 13.5 | 10.9 | 41.8 | 38.1 |
| Fee and commission expense | (0.4) | (0.4) | (1.1) | (1.1) |
| Net fee and commission income | 13.1 | 10.5 | 40.7 | 37.0 |

Investment banking and management fees comprised fees relating to the provision of investment management and financial services, including asset and fund management, underwriting activities, and services relating to structured financing, privatisations, IPOs, and mergers and acquisitions.

Fee and commission expense principally comprised security custody fees.

4. Foreign exchange income

Foreign exchange income principally comprised customer-initiated foreign exchange contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these offset customer-related foreign exchange contracts.

Foreign exchange includes spot and forward foreign exchange contracts, and currency futures and options.

5. Trading income

| | Three months ended | | Nine months ended | |
|--------------------------|--------------------|---------------|-------------------|---------------|
| | 30.9.12 | 30.9.11 | 30.9.12 | 30.9.11 |
| | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| Debt securities | 4.9 | 1.9 | 7.9 | 3.5 |
| Managed funds | 1.0 | (0.3) | 2.7 | 2.4 |
| Other net trading income | 0.3 | 0.1 | 0.8 | 0.3 |
| | 6.2 | 1.7 | 11.4 | 6.2 |

Trading income comprised gains and losses arising both on the purchase and sale, and from changes in the fair value, of trading instruments, together with the related interest income, interest expense and dividend income. Trading income accordingly incorporates all income and expenses related to the Group's trading activities.

6. Other income

Other income principally comprised dividends on equity investments, profits realised on the sale of investment securities measured at amortised cost, and recoveries of previously written off loans.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

7. Investment securities

Investment securities principally comprised investment-grade rated debt securities issued by major international financial institutions and government related entities.

The credit rating profile of investment securities, based on the lowest rating assigned by the major international rating agencies, was as follows:-

| | 30.9.12 | | 31.12.11 | |
|-----------------------------|---------------|-------|---------------|-------|
| | US\$ millions | % | US\$ millions | % |
| AAA to A- / Aaa to A3 | 2,782.0 | 88.7 | 2,610.1 | 91.6 |
| BBB+ to BBB- / Baa1 to Baa3 | 325.2 | 10.4 | 163.6 | 5.8 |
| Other debt securities | 29.4 | 0.9 | 75.1 | 2.6 |
| Total debt securities | 3,136.6 | 100.0 | 2,848.8 | 100.0 |
| Equity investments | 295.7 | | 302.9 | |
| | 3,432.3 | | 3,151.7 | |

Classification

Investment securities were classified as follows (30.9.12: in accordance with IFRS 9; 31.12.11: in accordance with IAS 39):-

| | 30.9.12 | 31.12.11 |
|----------------------|---------------|---------------|
| | US\$ millions | US\$ millions |
| Debt securities: | | |
| - At amortised cost | 3,136.6 | - |
| - Available-for-sale | - | 2,848.8 |
| Equity investments: | | |
| - At FVTOCI | 295.7 | - |
| - Available-for-sale | - | 302.9 |
| | 3,432.3 | 3,151.7 |

As referred to in note 2, the Group adopted IFRS 9 at 1st January 2012. This resulted in a change in the Group's accounting policy for the classification and measurement of financial assets. This change in accounting policy has been applied retrospectively and, as permitted by IFRS 9, comparative amounts have not been restated.

At 30th September 2012, the fair value of debt securities classified under IFRS 9 as financial assets at amortised cost was US\$3,155.4 million. If IFRS 9 had not been adopted in the current period, a net fair value gain of US\$44.8 million would have been recorded in the consolidated statement of comprehensive income for the period ended 30th September 2012. Other income characteristics of the debt securities remain unchanged.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

7. Investment securities (continued)

Provisions for impairment

The movements in the provisions for the impairment of investment securities were as follows:-

| | <u>2012</u> | <u>2011</u> |
|---|---------------|---------------|
| | US\$ millions | US\$ millions |
| At 1st January | 71.9 | 67.8 |
| Transition adjustment on adoption of IFRS 9 | (52.9) | - |
| At 1st January - restated | 19.0 | 67.8 |
| Exchange rate movements | - | 0.1 |
| (Release) / Charge for the period | (11.3) | 4.8 |
| At 30th September | 7.7 | 72.7 |

On the adoption of IFRS 9 at 1st January 2012, all specific provisions against equity investments were applied against the original cost of the investments. At 30th September 2012, the provisions for the impairment of investment securities entirely comprised non-specific provisions for debt investment securities determined on a collective basis.

8. Loans and advances

| | <u>30.9.12</u> | <u>31.12.11</u> |
|-------------------------------|----------------|-----------------|
| | US\$ millions | US\$ millions |
| Gross loans and advances | 7,415.6 | 7,371.0 |
| Provisions for impairment | (626.1) | (619.2) |
| Net loans and advances | 6,789.5 | 6,751.8 |

Provisions for impairment

The movements in the provisions for the impairment of loans and advances were as follows:-

| | <u>2012</u> | | | <u>2011</u> | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | Specific | Non-Specific | Total | Specific | Non-Specific | Total |
| | US\$ millions | US\$ millions | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| At 1st January | 409.2 | 210.0 | 619.2 | 397.3 | 245.0 | 642.3 |
| Exchange rate movements | 0.3 | - | 0.3 | 0.2 | - | 0.2 |
| Amounts utilised | (2.7) | - | (2.7) | (16.2) | - | (16.2) |
| Amounts reallocated | 21.0 | (21.0) | - | 35.0 | (35.0) | - |
| Charge / (Release) for the period | 9.3 | - | 9.3 | (5.9) | - | (5.9) |
| At 30th September | 437.1 | 189.0 | 626.1 | 410.4 | 210.0 | 620.4 |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

9. Reserves

| | <u>Share premium</u> | <u>Compulsory reserve</u> | <u>Voluntary reserve</u> | <u>Cash flow hedge reserve</u> | <u>Investment securities revaluation reserve</u> | <u>Total</u> |
|--|--------------------------|-------------------------------|------------------------------|--|--|---------------|
| | US\$ millions | US\$ millions | US\$ millions | US\$ millions | US\$ millions | US\$ millions |
| At 1 st January 2012 | 7.6 | 187.9 | 125.4 | 3.5 | (78.4) | 246.0 |
| Transition adjustment on adoption of IFRS 9 | - | - | - | - | 78.4 | 78.4 |
| At 1st January 2012 - restated | 7.6 | 187.9 | 125.4 | 3.5 | - | 324.4 |
| Net fair value gains on cash flow hedges | - | - | - | 0.1 | - | 0.1 |
| Net fair value losses on investments classified as FVTOCI | - | - | - | - | (7.8) | (7.8) |
| Transfers to consolidated statement of income | - | - | - | (1.5) | - | (1.5) |
| Net decrease | - | - | - | (1.4) | (7.8) | (9.2) |
| At 30th September 2012 | 7.6 | 187.9 | 125.4 | 2.1 | (7.8) | 315.2 |
| | | | | | | |
| At 1 st January 2011 | 7.6 | 179.4 | 116.9 | 6.3 | (21.5) | 288.7 |
| Net fair value gains on cash flow hedges | - | - | - | 0.5 | - | 0.5 |
| Net fair value gains on investments classified as available-for-sale | - | - | - | - | (68.4) | (68.4) |
| Transfers to consolidated statement of income | - | - | - | (2.7) | 3.3 | 0.6 |
| Net increase | - | - | - | (2.2) | (65.1) | (67.3) |
| At 30th September 2011 | 7.6 | 179.4 | 116.9 | 4.1 | (86.6) | 221.4 |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
for the nine months ended 30th September 2012

10. Derivatives and foreign exchange instruments

The notional amounts of derivatives and foreign exchange instruments were as follows:-

| | 30.9.12 | | Total US\$ millions | 31.12.11 |
|---|--------------------------|--------------------------|------------------------|------------------------|
| | Trading US\$ millions | Hedging US\$ millions | | Total US\$ millions |
| Interest rate contracts:- | | | | |
| Interest rate swaps | 1,521.2 | 6,320.4 | 7,841.6 | 6,367.0 |
| Cross currency swaps | - | 533.3 | 533.3 | 533.3 |
| Options, caps and floors purchased | 24.3 | - | 24.3 | 24.3 |
| Options, caps and floors written | 24.3 | - | 24.3 | 24.3 |
| | 1,569.8 | 6,853.7 | 8,423.5 | 6,948.9 |
| Foreign exchange contracts:- | | | | |
| Unmatured spot, forward and futures contracts | 7,122.8 | 2,654.3 | 9,777.1 | 4,356.6 |
| Options purchased | 305.5 | - | 305.5 | - |
| Options written | 305.5 | - | 305.5 | - |
| | 7,733.8 | 2,654.3 | 10,388.1 | 4,356.6 |
| Credit contracts:- | | | | |
| Protection sold | 25.0 | - | 25.0 | 25.0 |
| Total | 9,328.6 | 9,508.0 | 18,836.6 | 11,330.5 |

At 30th September 2012, the Value-at-Risk of the foreign exchange, interest rate and credit derivative trading contracts analysed in the table above was US\$0.1 million, nil and nil respectively (31st December 2011: US\$0.1 million, nil and nil respectively). Value-at-Risk is a measure of market risk exposure and represents an estimate, with a 99 per cent level of confidence, of the potential loss that might arise if the positions were to be held unchanged for ten consecutive business days. The estimate is based on a twelve month historical observation period of unweighted data from the DataMetricsTM data set.

11. Credit-related financial instruments

| | 30.9.12 | 31.12.11 |
|---|----------------|----------------|
| | US\$ millions | US\$ millions |
| Direct credit substitutes | 398.6 | 309.2 |
| Transaction-related contingent items | 2,663.7 | 2,618.9 |
| Short-term self-liquidating trade-related contingent items | 409.8 | 189.0 |
| Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities | 745.1 | 451.9 |
| | 4,217.2 | 3,569.0 |

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to the shareholders by the weighted average number of shares in issue during the period.

| | Three months ended | | Nine months ended | |
|---|--------------------|-----------------|-------------------|-----------------|
| | 30.9.12 | 30.9.11 | 30.9.12 | 30.9.11 |
| Net income (US\$ millions) | 39.0 | 22.2 | 97.0 | 84.6 |
| Weighted average number of shares in issue (millions) | 2,500.0 | 2,500.0 | 2,500.0 | 2,500.0 |
| Basic and diluted earnings per share | US\$0.02 | US\$0.01 | US\$0.04 | US\$0.03 |