

GULF INTERNATIONAL BANK B.S.C.

2012 FIRST QUARTER

FINANCIAL STATEMENTS



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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

25 April 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 31 March 2012, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three 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>31.3.12</u> US\$ millions	<u>31.12.11</u> US\$ millions
<b>ASSETS</b>			
Cash and other liquid assets		1,235.1	858.7
Securities purchased under agreements to resell		280.0	280.0
Placements		6,665.9	5,394.0
Trading securities		88.4	83.7
Investment securities	6	3,627.2	3,151.7
Loans and advances	7	6,303.2	6,751.8
Other assets		312.6	269.0
<b>Total assets</b>		<u>18,512.4</u>	<u>16,788.9</u>
<b>LIABILITIES</b>			
Deposits from banks		1,813.4	1,549.3
Deposits from customers		9,829.1	8,520.3
Securities sold under agreements to repurchase		268.9	283.3
Other liabilities		348.8	305.1
Senior term financing		3,690.3	3,690.3
Subordinated term financing		477.8	477.8
<b>Total liabilities</b>		<u>16,428.3</u>	<u>14,826.1</u>
<b>EQUITY</b>			
Share capital		2,500.0	2,500.0
Reserves	8	350.5	246.0
Retained earnings		(766.4)	(783.2)
<b>Total equity</b>		<u>2,084.1</u>	<u>1,962.8</u>
<b>Total liabilities &amp; equity</b>		<u>18,512.4</u>	<u>16,788.9</u>

The interim consolidated financial statements were approved by the Board of Directors on 25th April 2012 and signed on its behalf by:-

**Jammaz bin Abdullah Al-Suhaimi**  
Chairman

**Mansour bin Saleh Al Maiman**  
Vice Chairman

**Yahya bin Abdullah Alyahya**  
Chief Executive Officer

The notes on pages 6 to 11 form part of these interim consolidated financial statements.

## Consolidated Statement of Income

		Three months ended <b>31.3.12</b>	Three months ended <b>31.3.11</b>
	<i>Note</i>	US\$ millions	US\$ millions
Interest income		70.3	62.8
Interest expense		38.4	31.5
<b>Net interest income</b>		<b>31.9</b>	<b>31.3</b>
Fee and commission income	3	15.4	14.6
Net trading income	4	8.1	4.0
Other income	5	6.4	3.5
<b>Total income</b>		<b>61.8</b>	<b>53.4</b>
Staff expenses		20.6	18.4
Premises expenses		2.4	2.1
Other operating expenses		7.1	6.7
<b>Total operating expenses</b>		<b>30.1</b>	<b>27.2</b>
<b>Net income before provisions and tax</b>		<b>31.7</b>	<b>26.2</b>
Provisions for investment securities	6	5.3	-
Provisions for loans and advances	7	(4.7)	0.5
<b>Net income before tax</b>		<b>32.3</b>	<b>26.7</b>
Taxation charge on overseas activities		(0.5)	(0.9)
<b>Net income</b>		<b>31.8</b>	<b>25.8</b>
<i>Earnings per share</i>	11	<i>US\$0.01</i>	<i>US\$0.01</i>

Jammaz bin Abdullah Al-Suhaimi  
Chairman

Mansour bin Saleh Al Maiman  
Vice Chairman

Yahya bin Abdullah Alyahya  
Chief Executive Officer

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## Consolidated Statement of Comprehensive Income

	Three months ended 31.3.12 <u>US\$ millions</u>	Three months ended 31.3.11 <u>US\$ millions</u>
<b>Net income</b>	<b>31.8</b>	<b>25.8</b>
<b>Other comprehensive income:-</b>		
Cash flow hedges:		
- net changes in fair value	0.1	(0.1)
- net amount transferred to consolidated statement of income	(0.1)	(0.8)
Investment securities:		
- net changes in fair value of investments classified as fair value through other comprehensive income	26.1	-
- net changes in fair value of investments classified as available-for-sale	-	-
- net amount transferred to consolidated statement of income	-	(0.1)
- realised losses on investments classified as fair value through other comprehensive income	(0.2)	-
<b>Total other comprehensive income</b>	<b>25.9</b>	<b>(1.0)</b>
<b>Total comprehensive income</b>	<b>57.7</b>	<b>24.8</b>

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## Consolidated Statement of Changes in Equity

	<b>Share capital</b>	<b>Reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<i>Note</i>	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 1st January 2011</b>	<b>2,500.0</b>	<b>288.7</b>	<b>(870.7)</b>	<b>1,918.0</b>
Net income for the year	-	-	104.5	104.5
Other comprehensive income for the year	-	(59.7)	-	(59.7)
Total comprehensive income for the year	-	(59.7)	104.5	44.8
Transfers from retained earnings	-	17.0	(17.0)	-
<b>At 31st December 2011</b>	<b>2,500.0</b>	<b>246.0</b>	<b>(783.2)</b>	<b>1,962.8</b>
Transition adjustment on adoption of IFRS 9	-	78.4	(14.8)	63.6
<b>At 1st January 2012 - restated</b>	<b>2,500.0</b>	<b>324.4</b>	<b>(798.0)</b>	<b>2,026.4</b>
Net income for the period	-	-	31.8	31.8
Other comprehensive income for the period	-	26.1	(0.2)	25.9
Total comprehensive income for the period	-	26.1	31.6	57.7
<b>At 31st March 2012</b>	<b>2,500.0</b>	<b>350.5</b>	<b>(766.4)</b>	<b>2,084.1</b>

The notes on pages 6 to 11 form part of these interim consolidated financial statements.

## Consolidated Statement of Cash Flows

	Three months ended <b>31.3.12</b> US\$ millions	Three months ended <b>31.3.11</b> US\$ millions
<b>OPERATING ACTIVITIES</b>		
Net income	31.8	25.8
Adjustments to reconcile net income to net cash inflow from operating activities:		
Provisions for investment securities	(5.3)	-
Provisions for loans and advances	4.7	(0.5)
Realised profit on investment securities	(0.2)	(0.6)
Amortisation of investment securities	5.4	4.8
Net increase in placements with banks	(1,271.9)	(1,213.3)
Net increase in trading securities	(4.7)	(0.7)
Net decrease in loans and advances	443.9	233.8
Increase in accrued interest receivable	(17.0)	(11.3)
Increase in accrued interest payable	11.6	9.6
Net increase / (decrease) in other net assets	4.5	(5.3)
Net increase in deposits from banks	264.1	40.3
Net increase in deposits from customers	1,308.8	962.5
<b>Net cash inflow from operating activities</b>	<b>775.7</b>	<b>45.1</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of investment securities	(510.0)	(88.3)
Sale and maturity of investment securities	125.1	10.4
<b>Net cash outflow from investing activities</b>	<b>(384.9)</b>	<b>(77.9)</b>
<b>FINANCING ACTIVITIES</b>		
Net decrease in securities sold under agreements to repurchase	(14.4)	(224.9)
Net increase in senior term financing	-	500.0
<b>Net cash (outflow) / inflow from financing activities</b>	<b>(14.4)</b>	<b>275.1</b>
<b>Increase in cash and cash equivalents</b>	<b>376.4</b>	<b>242.3</b>
<b>Cash and cash equivalents at 1st January</b>	<b>858.7</b>	<b>1,043.9</b>
<b>Cash and cash equivalents at 31st March</b>	<b>1,235.1</b>	<b>1,286.2</b>

The notes on pages 6 to 11 form part of these interim consolidated financial statements.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
for the three months ended 31st March 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 interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The interim consolidated financial statements for the three months ended 31st March 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 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 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.



**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
for the three months ended 31st March 2012

**2. ACCOUNTING POLICIES** (continued)

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.

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 \$78.4 million as follows:-

	Retained earnings	Investment securities revaluation reserve
<u>Due to reclassification of financial assets:</u>	US\$ millions	US\$ millions
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 to 31st March 2012 would have been impacted by a decrease in net income of US\$0.2 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 6 and 8 to the 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:-

	Original measurement category, IAS 39	New measurement category, IFRS 9	Original carrying amount	New carrying amount
			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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
for the three months ended 31st March 2012

**3. FEE & COMMISSION INCOME**

	Three months ended	Three months ended
	<u>31.3.12</u>	<u>31.3.11</u>
	US\$ millions	US\$ millions
<b>Fee and commission income</b>		
Commissions on letters of credit and guarantee	8.2	6.4
Investment banking and management fees	6.9	7.6
Other fee and commission income	0.7	0.9
Total fee and commission income	<u>15.8</u>	<u>14.9</u>
<b>Fee and commission expense</b>	<u>(0.4)</u>	<u>(0.3)</u>
<b>Net fee and commission income</b>	<u>15.4</u>	<u>14.6</u>

Investment banking and management fees comprise 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 comprises security custody fees.

**4. NET TRADING INCOME**

	Three months ended	Three months ended
	<u>31.3.12</u>	<u>31.3.11</u>
	US\$ millions	US\$ millions
Debt securities	3.6	0.1
Foreign exchange	2.7	2.4
Managed funds	1.7	1.4
Other net trading income	0.1	0.1
	<u>8.1</u>	<u>4.0</u>

Trading income comprises 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.

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

**5. 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
for the three months ended 31st March 2012

6. INVESTMENT SECURITIES

Investment securities principally comprise 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:-

	31.3.12		31.12.11	
	US\$ millions	%	US\$ millions	%
AAA to A- / Aaa to A3	3,046.6	92.4	2,610.1	91.6
BBB+ to BBB- / Baa1 to Baa3	184.2	5.6	163.6	5.8
Other debt securities	65.7	2.0	75.1	2.6
Total debt securities	3,296.5	100.0	2,848.8	100.0
Equity investments	330.7		302.9	
	3,627.2		3,151.7	

Classification

Investment securities were classified as follows (31.3.12: in accordance with IFRS 9; 31.12.11: in accordance with IAS 39):-

	31.3.12	31.12.11
	US\$ millions	US\$ millions
Debt securities:		
- At amortised cost	3,296.5	-
- Available-for-sale	-	2,848.8
Equity investments:		
- At FVTOCI	330.7	-
- Available-for-sale	-	302.9
	3,627.2	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 31st March 2012, the fair value of debt securities classified under IFRS 9 as financial assets at amortised cost was US\$3,279.6 million. If IFRS 9 had not been adopted in the current period, a net fair value loss of US\$16.9 million would have been recorded in the consolidated statement of comprehensive income for the period to 31st March 2012. Other income characteristics of the debt securities remain unchanged.

Provisions for impairment

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

	2012	2011
	US\$ millions	US\$ millions
<b>At 1st January</b>	71.9	67.8
Transition adjustment on adoption of IFRS 9	(52.9)	-
<b>At 1st January - restated</b>	19.0	67.8
Exchange rate movements	-	0.4
Release for the period	(5.3)	-
<b>At 31st March</b>	13.7	68.2

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 31st March 2012, the provisions for the impairment of investment securities entirely comprised non-specific provisions for debt investment securities determined on a collective basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
for the three months ended 31st March 2012

7. LOANS AND ADVANCES

	<u>31.3.12</u>	<u>31.12.11</u>
	US\$ millions	US\$ millions
Gross loans and advances	6,924.9	7,371.0
Provisions for impairment	(621.7)	(619.2)
Net loans and advances	<u>6,303.2</u>	<u>6,751.8</u>

Provisions for impairment

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

	<u>2012</u>			<u>2011</u>		
	<u>Specific</u>	<u>Non-Specific</u>	<u>Total</u>	<u>Specific</u>	<u>Non-Specific</u>	<u>Total</u>
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<b>At 1st January</b>	409.2	210.0	619.2	397.3	245.0	642.3
Exchange rate movements	0.5	-	0.5	0.2	-	0.2
Amounts utilised	(2.7)	-	(2.7)	-	-	-
Amounts reallocated	14.3	(14.3)	-	31.0	(31.0)	-
Charge / (release) for the period	4.7	-	4.7	(0.5)	-	(0.5)
<b>At 31st March</b>	<u>426.0</u>	<u>195.7</u>	<u>621.7</u>	<u>428.0</u>	<u>214.0</u>	<u>642.0</u>

8. 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
<b>At 1st January 2011</b>	7.6	179.4	116.9	6.3	(21.5)	288.7
Arising in the year:						
- Cash flow hedges:- net fair value gains	-	-	-	0.5	-	0.5
- Investment securities:- net fair value losses	-	-	-	-	(61.3)	(61.3)
Transfers in the year:						
- Transfers to consolidated statement of income	-	-	-	(3.3)	4.4	1.1
Net decrease	-	-	-	(2.8)	(56.9)	(59.7)
Transfers from retained earnings	-	8.5	8.5	-	-	17.0
<b>At 31st December 2011</b>	<u>7.6</u>	<u>187.9</u>	<u>125.4</u>	<u>3.5</u>	<u>(78.4)</u>	<u>246.0</u>
Transition adjustment on adoption of IFRS 9	-	-	-	-	78.4	78.4
<b>At 1st January 2012 - restated</b>	<u>7.6</u>	<u>187.9</u>	<u>125.4</u>	<u>3.5</u>	<u>-</u>	<u>324.4</u>
Arising in the period:						
- Cash flow hedges:- net fair value gains	-	-	-	0.1	-	0.1
- Investment securities:- net fair value gains on investments classified as FVTOCI	-	-	-	-	26.1	26.1
Transfers in the period:						
- Transfers to consolidated statement of income	-	-	-	(0.1)	-	(0.1)
Net increase	-	-	-	-	26.1	26.1
<b>At 31st March 2012</b>	<u>7.6</u>	<u>187.9</u>	<u>125.4</u>	<u>3.5</u>	<u>26.1</u>	<u>350.5</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
for the three months ended 31st March 2012

9. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS

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

	<u>Trading</u> US\$ millions	<u>31.3.12</u> <u>Hedging</u> US\$ millions	<u>Total</u> US\$ millions	<u>31.12.11</u> <u>Total</u> US\$ millions
Interest rate contracts:-				
Interest rate swaps	1,396.2	5,070.8	6,467.0	6,367.0
Cross currency swaps	-	533.3	533.3	533.3
Forward rate agreements	-	279.8	279.8	-
Options, caps and floors purchased	24.3	-	24.3	24.3
Options, caps and floors written	24.3	-	24.3	24.3
	<u>1,444.8</u>	<u>5,883.9</u>	<u>7,328.7</u>	<u>6,948.9</u>
Foreign exchange contracts:-				
Unmatured spot, forward and futures contracts	1,521.3	2,905.9	4,427.2	4,356.6
Credit contracts:-				
Protection sold	25.0	-	25.0	25.0
<b>Total</b>	<u>2,991.1</u>	<u>8,789.8</u>	<u>11,780.9</u>	<u>11,330.5</u>

There is no credit risk in respect of options, caps and floors written and protection sold on credit contracts as they represent obligations of the Group.

At 31st March 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 DataMetrics TM data set.

10. CREDIT-RELATED FINANCIAL INSTRUMENTS

	<u>31.3.12</u> <u>Notional</u> <u>principal</u> <u>amount</u> US\$ millions	<u>31.12.11</u> <u>Notional</u> <u>principal</u> <u>amount</u> US\$ millions
Direct credit substitutes	325.8	309.2
Transaction-related contingent items	2,580.1	2,618.9
Short-term self-liquidating trade-related contingent items	438.2	189.0
Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	721.5	451.9
	<u>4,065.6</u>	<u>3,569.0</u>

11. 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.

	<u>Three months</u> <u>ended</u> <u>31.3.12</u>	<u>Three months</u> <u>ended</u> <u>31.3.11</u>
Net income (US\$ millions)	31.8	25.8
Weighted average number of shares in issue (millions)	2,500.0	2,500.0
Basic and diluted earnings per share	<u>US\$0.01</u>	<u>US\$0.01</u>