CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

GiB

CONTENTS OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF GULF INTERNATIONAL BANK B.S.C.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Gulf International Bank B.S.C. (the "Bank") and its subsidiaries (together the "Group") as at 31 March 2022, comprising the interim consolidated statement of financial position as at 31 March 2022 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. The Bank's Board of Directors is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these condensed interim 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. Consequently, it 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 interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst + Young

11 May 2022
Manama, Kingdom of Bahrain

Condensed Interim Consolidated Statement of Financial Position

	Note	31.3.22 US$ millions	31.12.21 US$ millions
ASSETS			
Cash and other liquid assets		**8,935.3**	6,735.6
Securities purchased under agreements to resell		**238.9**	200.0
Placements		**5,928.4**	6,396.1
Trading securities		**154.6**	121.1
Investment securities	8	**5,824.7**	5,968.5
Loans and advances	9	**10,728.7**	11,657.5
Other assets		**1,153.4**	718.2
Total assets		**32,964.0**	31,797.0
LIABILITIES			
Deposits from banks		**892.8**	991.3
Deposits from customers		**22,253.1**	20,994.8
Securities sold under agreements to repurchase		**1,060.6**	685.2
Other liabilities		**1,139.7**	932.6
Senior term financing		**4,478.1**	5,100.1
Total liabilities		**29,824.3**	28,704.0
EQUITY			
Share capital		**2,500.0**	2,500.0
Reserves	10	**452.1**	435.5
Retained earnings		**(777.3)**	(790.1)
Equity attributable to the shareholders of the Bank		**2,174.8**	2,145.4
Non-controlling interest		**964.9**	947.6
Total equity		**3,139.7**	3,093.0
Total liabilities and equity		**32,964.0**	31,797.0

The condensed interim consolidated financial statements were approved by the Board of Directors on 11th May 2022 and signed on its behalf by:

Abdulla Mohammed Al Zamil	**Rajeev Kakar**	**Abdulaziz A. Al-Helaissi**
Chairman of the Board	Chairman of the Board Audit Committee	Group Chief Executive Officer

The notes on pages 6 to 18 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Income

	Note	Three months ended 31.3.22 US$ millions	ended 31.3.21 US$ millions
Interest income		**116.7**	98.6
Interest expense		**48.8**	42.6
Net interest income		**67.9**	56.0
Net fee and commission income	3	**23.1**	17.1
Trading income	5	**9.8**	9.8
Foreign exchange income	4	**4.7**	5.9
Other income	6	**3.5**	1.8
Total income		**109.0**	90.6
Staff expenses		**47.2**	39.9
Premises expenses		**5.1**	5.9
Other operating expenses		**22.1**	20.0
Total operating expenses		**74.4**	65.8
Net income before provisions and tax		**34.6**	24.8
Provision for expected credit losses	7	**(9.8)**	(9.8)
Net income before tax		**24.8**	15.0
Taxation charge		**(3.8)**	(0.9)
Net income		**21.0**	14.1
Attributable to:			
Shareholders of the Bank		**12.8**	7.9
Non-controlling interest		**8.2**	6.2
		21.0	14.1

Abdulla Mohammed Al Zamil
Chairman of the Board

Rajeev Kakar
Chairman of the Board Audit Committee

Abdulaziz A. Al-Helaissi
Group Chief Executive Officer

The notes on pages 6 to 18 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income

	Three months ended 31.3.22 US$ millions	ended 31.3.21 US$ millions
Net income	**21.0**	14.1
Other comprehensive income:		
Items that will not be reclassified to consolidated statement of income:		
Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI)	**17.7**	7.8
Remeasurement of defined benefit pension fund	**9.7**	18.2
Net changes in deferred tax reserves	**(1.7)**	(5.3)
	25.7	20.7
Total other comprehensive income	**25.7**	20.7
Total comprehensive income	**46.7**	34.8
Attributable to:		
Shareholders of the Bank	**29.4**	23.3
Non-controlling interest	**17.3**	11.5
	46.7	34.8

The notes on pages 6 to 18 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Changes in Equity

	Equity attributable to the shareholders of the Bank				Non-controlling interest	Total
	Share capital	Reserves	Retained earnings	Total		
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
At 1st January 2022	**2,500.0**	**435.5**	**(790.1)**	**2,145.4**	**947.6**	**3,093.0**
Net income for the period	-	-	12.8	12.8	8.2	21.0
Other comprehensive income for the period	-	16.6	-	16.6	9.1	25.7
Total comprehensive income for the period	-	16.6	12.8	29.4	17.3	46.7
At 31st March 2022	**2,500.0**	**452.1**	**(777.3)**	**2,174.8**	**964.9**	**3,139.7**
At 1st January 2021	2,500.0	379.2	(807.4)	2,071.8	940.7	3,012.5
Net income for the period	-	-	7.9	7.9	6.2	14.1
Other comprehensive income for the period	-	15.4	-	15.4	5.3	20.7
Total comprehensive income for the period	-	15.4	7.9	23.3	11.5	34.8
Transfers during the period	-	32.7	(21.3)	11.4	(11.4)	-
At 31st March 2021	2,500.0	427.3	(820.8)	2,106.5	940.8	3,047.3

The notes on pages 6 to 18 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Three months ended 31.3.22 US$ millions	Three months ended 31.3.21 US$ millions
OPERATING ACTIVITIES		
Net income for the period	21.0	14.1
Adjustments for:		
Depreciation and amortisation	11.6	9.5
Provision for expected credit losses - net	9.8	9.8
Realised gains on debt investment securities	(1.1)	(0.6)
Operating income before changes in operating assets and liabilities	41.3	32.8
Changes in operating assets and liabilities:		
Statutory deposits with central banks	5.6	(77.1)
Securities purchased under agreements to resell	(38.9)	190.0
Placements	467.5	781.2
Trading securities	(33.5)	(4.1)
Loans and advances	920.4	(334.8)
Interest receivable	(3.8)	2.1
Other assets	(426.5)	19.8
Deposits from banks	(98.5)	(13.7)
Deposits from customers	1,258.3	6,084.6
Securities sold under agreement to repurchase	375.4	213.7
Interest payable	8.6	(4.5)
Other liabilities	197.6	(191.5)
Net cash from operating activities	2,673.5	6,698.5
INVESTING ACTIVITIES		
Purchase of investment securities	(105.1)	(395.0)
Maturity / sale of investment securities	261.5	207.9
Net (increase) / decrease in premises and equipment	(2.6)	10.6
Net cash from / (used in) investing activities	153.8	(176.5)
FINANCING ACTIVITIES		
Issuance of senior term financing	9.4	88.4
Maturity of senior term financing	(631.4)	(3.4)
Net cash (used in) / from financing activities	(622.0)	85.0
Net increase in cash and cash equivalents	2,205.3	6,607.0
Cash and cash equivalents at 1st January	6,306.7	6,062.0
Cash and cash equivalents at 31st March	8,512.0	12,669.0

The notes on pages 6 to 18 form part of these consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

1 Incorporation and registration

The parent company of 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 and a conventional retail 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 Bank and its subsidiaries ("the Group"), is principally engaged in the provision of wholesale commercial, asset management and investment banking services, and entered a niche segment within retail consumer banking. The Group operates through subsidiaries, branch offices and representative offices located in five countries worldwide. The total number of staff at 31st March 2022 was 1,143 (31st December 2021: 1,188).

2 Basis of preparation

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank and the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34"). The consolidated financial statements for the year ended 31 December 2021 were prepared in accordance with IFRS modified by CBB as the comparative information included in these consolidated financial statements were reported in accordance with the framework. The transition from “IFRS modified by CBB” to IAS 34 and IFRS as issued by IASB has not resulted in any material changes to the previously reported numbers in the consolidated balance sheet as of 1 January 2020, 31 December 2020 and 2021, and the consolidated income statement for the year ended 31 December 2021.

The condensed interim consolidated financial statements of Group do not contain all information and disclosures required for the annual audited consolidated financial statements, and should be read in conjunction with the Group’s annual audited consolidated financial statements for the year ended 31st December 2021. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31st December 2022.

2.2 Novel Coronavirus ("COVID-19")

The outbreak of novel coronavirus (“COVID-19”) since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activities globally. This has impacted the global economic to slowdown with uncertainties in the economic environment. As a result, governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Group’s management revisited its significant judgments in applying the Group's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31st December 2021.

The Group has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and their impact on key credit, liquidity, operational, solvency and performance indicators, in addition to other risk management practices to manage the potential business disruption that the COVID-19 outbreak may have on its operations and financial performance. The Group's impact assessment resulted in the following changes to the expected credit loss methodology and valuation estimates and judgements as at and for the period ended 31st March 2022:

- **Expected credit losses**

The Group uses various inputs and assumptions for the determination of expected credit losses (“ECLs”) taking into consideration the uncertainties caused by COVID 19 and oil price volatility. The ECL forecast economic conditions have been consistently applied by the Group and are consistent with those of the previous year, although economic forecasts have improved during the year, however, the group is being prudent considering that the situation is evolving. The Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

2 Basis of preparation (continued)

2.2 Novel Coronavirus ("COVID-19") (continued)

- **Expected credit losses (continued)**

This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factors used to derive the point-in-time (PIT) probability of default (PD) incorporate the following assumptions for the key markets of the Kingdom of Saudi Arabia and United Arab Emirates: real GDP growth between -1.2% to 0.9%; and fiscal deficit as a percentage of GDP between -8.1% and -11.8% over the next 12 months for the period ended 31st March 2022 and year ended 31st December 2021. The Bank has assigned probabilities for the aforementioned macro-economic factors for the base case, negative case and positive case scenarios in the ratio of 50:35:15, respectively (31st December 2021: 50:25:25).

The Group also updated the relevant forward-looking information of the Group's international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective markets in which it operates.

In addition to the assumptions outlined above, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors. However, the Group has also recognised management overlays of US$ 6.1 million (31st December 2021: US$6.1 million) based on anticipated changes in the through-the-cycle probability of defaults.

2.3 Basis of consolidation

The condensed interim consolidated financial statements include the accounts of Gulf International Bank B.S.C. and its subsidiaries. Subsidiaries are companies and other entities, including special purpose entities, which the Bank controls. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The subsidiary's accounts are derecognised from the consolidated financial statements from the point when the control ceases. All intercompany balances and transactions, including unrealised gains and losses on transactions between Group companies, have been eliminated.

2.4 Accounting policies

The accounting policies have been consistently applied by the Group and are consistent with those of the previous year, as set out in the condensed interim consolidated financial statements for the year ended 31st December 2021, except for the adoption of applicable new and amended standards and interpretations with effect from 1st January 2022 as referred to below and the changes noted in 2.1 basis of preparation.

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

The above new and amended standards and interpretations had no impact on the condensed interim consolidated financial statements of the Group.

3 Net fee and commission income

	Three months ended	
	31.3.22	31.3.21
	US$ millions	US$ millions
Fee and commission income		
Commissions on letters of credit and guarantee	**8.1**	7.8
Investment banking and management fees	**9.9**	6.5
Loan commitment fees	**2.1**	1.6
Retail banking fees	**0.9**	0.5
Loan agency and distribution fees	**0.9**	0.4
Other fee and commission income	**2.3**	1.2
Total fee and commission income	**24.2**	18.0
Fee and commission expense	**(1.1)**	(0.9)
Net fee and commission income	**23.1**	17.1

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

3 Net fee and commission income (continued)

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, initial public offerings, and mergers and acquisitions.

Fee and commission expense principally comprises security custody fees and bank charges and commissions.

4 Foreign exchange income

Foreign exchange income principally comprises 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	
	31.3.22	31.3.21
	US$ millions	US$ millions
Equity securities	9.8	1.0
Interest rate derivatives	0.1	1.0
Commodity options	-	7.8
Managed funds	(0.1)	-
	9.8	9.8

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.

Interest rate derivative and commodity option income principally comprises customer-initiated contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these contracts.

6 Other income

	Three months ended	
	31.3.22	31.3.21
	US$ millions	US$ millions
Recoveries on previously written off assets	1.9	0.4
Dividends on equity investments classified as FVTOCI	0.8	0.8
Net realised gains on investment debt securities	1.1	0.6
Sundry loss	(0.3)	-
	3.5	1.8

Recoveries on previously written off assets comprise recoveries on assets that had previously been either written off or transferred to the memorandum records.

Net realised gains on investment debt securities principally relates to the sale of securities for liquidity management.

7 Provision for expected credit losses

	31st March 2022			
	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions
Loans and advances	(1.8)	2.5	7.7	8.4
Investment securities	0.3	-	-	0.3
Placements	0.2	-	-	0.2
Credit-related financial instruments	0.3	1.1	(0.5)	0.9
	(1.0)	3.6	7.2	9.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

7 Provision for expected credit losses (continued)

	31st March 2021			
	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions
Loans and advances	0.9	6.9	(3.3)	4.5
Investment securities	0.1	-	-	0.1
Credit-related financial instruments	0.2	0.6	4.4	5.2
	1.2	7.5	1.1	9.8

8 Investment securities

8.1 Composition

	31.3.22	31.12.21
	US$ millions	US$ millions
Debt securities	**5,715.3**	5,874.8
Equity investments	**113.0**	97.0
Provisions for expected credit losses - stage 1	**(3.6)**	(3.3)
Net investment securities	**5,824.7**	5,968.5

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

	31.3.22		31.12.21	
	US$ millions	**%**	US$ millions	%
AAA to A- / Aaa to A3	**4,294.3**	**75.2**	4,390.2	74.8
BBB+ to BBB- / Baa1 to Baa3	**1,048.0**	**18.3**	1,034.1	17.6
BB+ to B+ / Ba1 to B1	**369.4**	**6.5**	447.2	7.6
Total debt securities	**5,711.7**	**100.0**	5,871.5	100.0
Equity investments	**113.0**		97.0	
	5,824.7		5,968.5	

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

Investment securities rated BB+ to B+ / Ba1 to B1 at 31st March 2022 and 31st December 2021 principally comprised GCC sovereign debt securities.

Debt securities are classified as investment securities at amortised cost and equity investments are classified as FVTOCI.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

8 Investment securities (continued)

8.2 Provisions for expected credit losses

The movements in the provisions for expected credit losses of investment securities were as follows:-

	31st March 2022				31st March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
At 1st January	3.3	-	-	3.3	2.4	-	-	2.4
Net remeasurement of ECL allowance	0.3	-	-	0.3	0.1	-	-	0.1
At 31st March	3.6	-	-	3.6	2.5	-	-	2.5

The stage 1 provisions reflect the probability-weighted estimate of expected credit losses. The provisions comprise both quantitative and qualitative information and analysis, based on the Group's historical experience and taking into consideration both internal and external indicators and including forward-looking information.

9 Loans and advances

9.1 Composition

	31.3.22	31.12.21
	US$ millions	US$ millions
Gross loans and advances	11,032.1	11,952.6
Provisions for expected credit losses	(303.4)	(295.1)
Net loans and advances	10,728.7	11,657.5

	31st March 2022				31st December 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Gross loans and advances	9,580.9	1,159.6	291.6	11,032.1	10,424.5	1,229.7	298.4	11,952.6
ECL allowances	(44.0)	(86.0)	(173.4)	(303.4)	(45.8)	(82.9)	(166.4)	(295.1)
Net loans and advances	9,536.9	1,073.6	118.2	10,728.7	10,378.7	1,146.8	132.0	11,657.5

9.2 Provisions for expected credit losses

The stage 1 and stage 2 provisions reflect the probability-weighted estimate of expected credit losses under IFRS 9. The provisions comprise both quantitative and qualitative information and analysis, based on the Group's historical experience and taking into consideration both internal and external indicators and includes forward-looking information.

Stage 3 provisions reflect credit-impaired provisions based on the difference between the net carrying amount and the recoverable amount of the loan.

The movements in the provisions for expected credit losses during the periods ended 31st March 2022 and 31st March 2021 are as follows:

	31st March 2022				31st March 2021			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
At 1st January	45.8	82.9	166.4	295.1	59.4	40.0	182.2	281.6
Transfer to stage 2	-	1.4	(1.4)	-	(3.4)	3.4	-	-
Transfer to stage 3	-	(0.8)	0.8	-	-	(1.9)	1.9	-
Exchange rate movements	-	-	(0.1)	(0.1)	-	-	0.2	0.2
Net remeasurement of ECL allowance	(1.8)	2.5	7.7	8.4	0.9	6.9	(3.3)	4.5
Write-offs	-	-	-	-	-	-	(0.2)	(0.2)
At 31st March	44.0	86.0	173.4	303.4	56.9	48.4	180.8	286.1

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

10 Reserves

	Share premium US$ millions	Compulsory reserve US$ millions	Voluntary reserve US$ millions	Investment securities revaluation reserve US$ millions	Defined pension reserve US$ millions	Deferred tax and other reserve US$ millions	Total US$ millions
At 1st January 2022	**7.6**	**233.6**	**171.1**	**(7.4)**	**40.0**	**(9.4)**	**435.5**
Net fair value gains on equity investments classified as FVTOCI	-	-	-	8.6	-	-	8.6
Transfers to retained earnings	-	-	-	-	-	-	-
Movement during the period	-	-	-	-	9.7	(1.7)	8.0
Net increase / (decrease)	-	-	-	8.6	9.7	(1.7)	16.6
At 31st March 2022	**7.6**	**233.6**	**171.1**	**1.2**	**49.7**	**(11.1)**	**452.1**
At 1st January 2021	7.6	230.6	168.1	(33.8)	7.9	(1.2)	379.2
Net fair value gains on equity investments classified as FVTOCI	-	-	-	2.5	-	-	2.5
Transfers to retained earnings	-	-	-	32.7	-	-	32.7
Movement during the period	-	-	-	-	18.2	(5.3)	12.9
Net increase / (decrease)	-	-	-	35.2	18.2	(5.3)	48.1
At 31st March 2021	7.6	230.6	168.1	1.4	26.1	(6.5)	427.3

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

11 Derivatives and foreign exchange instruments

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

	Trading US$ millions	Hedging US$ millions	Total US$ millions
At 31st March 2022			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	7,023.1	-	7,023.1
Options purchased	27.6	-	27.6
Options written	27.6	-	27.6
	7,078.3	-	7,078.3
Interest rate contracts:			
Interest rate swaps	15,453.0	5,769.3	21,222.3
Cross currency swaps	130.8	-	130.8
Futures	-	49.1	49.1
Options, caps and floors purchased	2,692.2	-	2,692.2
Options, caps and floors written	2,692.2	-	2,692.2
	20,968.2	5,818.4	26,786.6
Equity and commodity contracts:			
Options and swaps purchased	1.0	-	1.0
Options and swaps written	0.9	-	0.9
	1.9	-	1.9
	28,048.4	5,818.4	33,866.8

	Trading US$ millions	Hedging US$ millions	Total US$ millions
At 31st December 2021			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	9,510.1	-	9,510.1
Options purchased	37.7	-	37.7
Options written	37.7	-	37.7
	9,585.5	-	9,585.5
Interest rate contracts:			
Interest rate swaps	11,410.9	5,752.9	17,163.8
Cross currency swaps	138.2	-	138.2
Futures	-	53.9	53.9
Options, caps and floors purchased	2,684.8	-	2,684.8
Options, caps and floors written	2,684.8	-	2,684.8
	16,918.7	5,806.8	22,725.5
Equity and commodity contracts:			
Options and swaps purchased	-	-	-
Options and swaps written	-	-	-
	-	-	-
	26,504.2	5,806.8	32,311.0

There is no credit risk in respect of options written as they represent obligations of the Group.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

12 Credit-related financial instruments

12.1 Composition

	31.3.22 Notional principal amount US$ millions	31.3.22 Risk-weighted exposure US$ millions	31.12.21 Notional principal amount US$ millions	31.12.21 Risk-weighted exposure US$ millions
Direct credit substitutes	717.2	700.9	542.5	523.5
Transaction-related contingent items	2,502.7	1,088.6	2,637.7	1,092.8
Short-term self-liquidating trade-related contingent items	874.0	166.7	977.3	193.6
Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	2,096.4	854.5	2,596.5	1,058.1
	6,190.3	2,810.7	6,754.0	2,868.0

The notional principal amounts reported above are stated gross before applying credit risk mitigants, such as cash collateral, guarantees and counter-indemnities. At 31st March 2022, the Group held cash collateral, guarantees, counter-indemnities or other high quality collateral in relation to credit-related contingent items amounting to US$416.3 million (31st December 2021: US$426.4 million).

12.2 Provisions for expected credit losses

	31st March 2022				31st March 2021			
	Stage 1 US$ millions	Stage 2 US$ millions	Stage 3 US$ millions	Total US$ millions	Stage 1 US$ millions	Stage 2 US$ millions	Stage 3 US$ millions	Total US$ millions
At 1st January	6.1	2.5	32.9	41.5	5.3	3.0	47.9	56.2
Transfer to stage 2	-	-	-	-	(0.1)	0.1	-	-
Net remeasurement of ECL allowance	0.3	1.1	(0.5)	0.9	0.2	0.6	4.4	5.2
At 31st March	6.4	3.6	32.4	42.4	5.4	3.7	52.3	61.4

13 Fair value of financial instruments

The Group's financial instruments are accounted for under the historical cost method with the exception of trading securities, equity investment securities and derivative financial instruments, which are accounted for at fair value. The fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms. Generally accepted methods of determining fair value include reference to quoted prices (level 1 measurement) or to the pricing prevailing for similar financial instruments (level 2 measurement) and the use of unobservable inputs in estimation techniques such as discounted cash flow analysis (level 3 measurement).

The valuation methodologies applied are outlined below.

13.1 Trading securities

The fair values of trading securities are based on quoted prices (level 1) or valuation techniques (level 2 or 3).

13.2 Investment securities

The fair values of equity investment securities are based on quoted prices (level 1) or valuation techniques (level 2 or 3). The fair values of debt investment securities are based on quoted market prices (level 1) and approximate the carrying values.

13.3 Loans and advances

The fair values (level 2) of loans on a floating interest rate basis are principally estimated at book value. The fair values (level 3) of impaired loans are estimated at the recoverable amount, measured as the present value of expected future cash flows discounted based on the interest rate at the inception of the loan. The fair values of fixed rate loans are estimated on a discounted cash flow basis utilising discount rates equal to prevailing market rates of interest in the respective currencies for loans of similar residual maturity and credit quality. The fair values (level 2) approximate the carrying values.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

13 Fair value of financial instruments (continued)

13.4 Term financing

The fair value of term financing is based on observable market data, including quoted market prices for debt instruments issued by similarly rated financial institutions and with similar maturities, or estimated on a discounted cash flow basis utilising currently prevailing spreads for borrowings with similar maturities. The fair values (level 2) of senior term financing at 31th March 2022 approximate the carrying values.

13.5 Other on-balance sheet items

The fair values of foreign exchange and derivative financial instruments are based on market prices, discounted cash flow techniques or option pricing models as appropriate. The fair values of all other on-balance sheet assets and liabilities approximate their respective book values due to their short-term nature.

13.6 Credit-related contingent items

There was no material fair value excess or shortfall in respect of credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams reflected contractual fees and commissions actually charged at the balance sheet date for agreements of similar credit standing and maturity. Impairment provisions made in respect of individual transactions where a potential for loss has been identified are included in provisions for the impairment of other liabilities.

13.7 Valuation basis

The valuation basis for financial assets and financial liabilities carried at fair value was as follows:

	Quoted prices (level 1)	Valuation based on observable market data (level 2)	Other valuation techniques (level 3)
	US$ millions	US$ millions	US$ millions
At 31st March 2022			
Financial assets:			
Trading securities	150.6	4.0	-
Investment securities - equities	94.2	-	18.8
Derivative financial instruments	-	592.3	-
Financial liabilities:			
Derivative financial instruments	-	505.2	-
At 31st December 2021			
Financial assets:			
Trading securities	116.7	4.4	-
Investment securities - equities	78.2	-	18.8
Derivative financial instruments	-	295.2	-
Financial liabilities:			
Derivative financial instruments	-	367.7	-

Quoted prices include prices obtained from lead managers, brokers and dealers. Investment securities valued based on other valuation techniques comprise private equity investments that have been valued based on price / earnings and price / book ratios for similar entities, discounted cash flow techniques or other valuation methodologies.

No transfers out of the level 3 measurement classification occurred during the period ended 31st March 2022. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the period ended 31st March 2022.

Sensitivity of the movement in the fair value of financial instruments in the level 3 category is assessed as not significant to other comprehensive income or total equity.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

13 Fair value of financial instruments (continued)

13.7 Valuation basis (continued)

The movements in the level 3 category is as follows:

	31.3.22 US$ millions	31.12.21 US$ millions
At 1st January	**18.8**	23.4
Purchases	**-**	0.9
Sales	**-**	(3.0)
Fair value movement	**-**	(2.5)
	18.8	18.8

14 Segmental information

For financial reporting purposes, the Group is organised into four main operating segments:

- Wholesale banking: the provision of wholesale commercial financing and other credit facilities for corporate and institutional customers.
- Treasury: the provision of a broad range of treasury and capital market products and services to corporate and financial institution clients, money market, proprietary investment and trading activities and the management of the Group's balance sheet, including funding.
- Asset management and investment banking: the provision of asset and fund management services, and of financial advisory services relating to structured financing, privatisations, initial public offerings, and mergers and acquisitions.
- Head office and support units: income arising on the investment of the Group's net free capital funds and expenses incurred by support units, including the investment in the retail banking strategy prior to the launch of all planned retail banking products and services.

The results reported for the business segments are based on the Group's internal financial reporting systems, which report interest revenue and interest expense on a net basis. The accounting policies of the segments are the same as those applied in the preparation of these condensed interim consolidated financial statements. Transactions between business segments are conducted on normal commercial terms and conditions. Transfer pricing between the business units is based on the market cost of funds.

Segment results, assets and liabilities comprise items directly attributable to the business segments. Liabilities reported for head office and support units comprise senior and subordinated term finance facilities and related accrued interest, the cost of which is recharged to the relevant operating business segments.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

14 Segmental information (continued)

The business segment analysis is as follows:

	Wholesale banking US$ millions	Treasury US$ millions	Asset management and investment banking US$ millions	Head office and support units US$ millions	Total US$ millions
Three months ended 31st March 2022					
Net interest income	44.1	20.3	0.1	3.4	67.9
Total income	60.4	24.7	8.2	15.7	109.0
Segment result	41.6	21.2	2.3	(40.3)	24.8
Taxation charge					(3.8)
Net income after tax					21.0
At 31st March 2022					
Segment assets	10,639.5	21,546.0	68.3	710.2	32,964.0
Segment liabilities	7,813.5	16,303.5	-	5,707.3	29,824.3
Total equity					3,139.7
Total liabilities and equity					32,964.0
Three months ended 31st March 2021					
Net interest income	30.7	15.3	-	10.0	56.0
Total income	41.5	23.4	7.7	18.0	90.6
Segment result	24.5	20.5	2.3	(32.3)	15.0
Taxation charge					(0.9)
Net income after tax					14.1
At 31st December 2021					
Segment assets	11,575.3	19,493.3	73.9	654.5	31,797.0
Segment liabilities	9,658.5	12,796.9	-	6,248.6	28,704.0
Total equity					3,093.0
Total liabilities and equity					31,797.0

15 Related party transactions

The Group enters into transactions with major shareholders, senior management and companies which are controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business at arm's length. All the loans and advances to related parties are performing and are subject to ECL assessments.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

15 Related party transactions (continued)

The income, expense and the period end balances in respect of related parties included in the consolidated financial statements were as follows:

	Shareholders	Affiliates	Senior Management	Total
	US$ millions	US$ millions	US$ millions	US$ millions
As at 31 March 2022				
Cash and other liquid assets	-	36.6	-	36.6
Placements	-	744.4	-	744.4
Trading securities	-	0.2	-	0.2
Investment securities	-	452.6	-	452.6
Loans and advances	-	433.7	10.8	444.5
Other assets	0.1	71.9	-	72.0
Deposits	895.3	2,796.2	6.3	3,697.8
Other liabilities	-	125.2	-	125.2
Senior term financing	-	1,078.2	-	1,078.2
Commitments and contingent liabilities	-	721.4	0.9	722.3
For the period ended 31 March 2022				
Net interest expense	(1.7)	(2.1)	-	(3.8)
Fee and commission income	-	2.7	-	2.7
Trading loss	-	(3.3)	-	(3.3)
Other income	-	0.8	-	0.8
Short term employee benefits	-	-	8.6	8.6
Post-employment benefits	-	-	0.3	0.3
Directors' fees and related expenses	-	-	0.9	0.9

	Shareholders	Affiliates	Senior Management	Total
	US$ millions	US$ millions	US$ millions	US$ millions
As at 31 December 2021				
Cash and other liquid assets	-	2.1	-	2.1
Placements	-	800.8	-	800.8
Investment securities	-	424.1	-	424.1
Loans and advances	-	975.4	10.0	985.4
Other assets	0.1	59.7	-	59.8
Deposits	1,859.9	2,966.6	5.5	4,832.0
Other liabilities	-	122.7	-	122.7
Senior term financing	-	1,077.9	-	1,077.9
Commitments and contingent liabilities	-	1,207.1	0.4	1,207.5
For the period ended 31 March 2021				
Net interest income	0.2	1.4	-	1.6
Fee and commission expense	(2.0)	(1.9)	-	(3.9)
Trading income	-	(0.8)	-	(0.8)
Other income	-	0.8	-	0.8
Short term employee benefits	-	-	8.6	8.6
Post-employment benefits	-	-	0.3	0.3
Directors' fees and related expenses	-	-	0.8	0.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31st March 2022

16 Liquidity and capital adequacy ratios

The Group is also required to comply with Basel 3 liquidity ratio requirements as stipulated by its lead regulator, the Central Bank of Bahrain (CBB), which became effective during 2019. These requirements relate to maintaining a minimum 100% liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) which was revised down to 80% until 30th June 2022. The LCR is calculated as a ratio of the stock of High Quality Liquid Assets (HQLA) to the net outflows over the next 30 calendar days. The NSFR is calculated as a ratio of 'available stable funding' to 'required stable funding'. At 31st March 2022, the Group's LCR and NSFR were 139.0% and 142.6% respectively, (31st December 2021: 176.3% and 146.2% respectively). The Group's total capital adequacy as of 31st March 2022 is 16.6% (31st December 2021:16.1%).

	No specified maturity	Within 6 months	6 months to 1 year	Over 1 year	Total unweighted value	Total weighted value
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
At 31st March 2022						
Available Stable Funding (ASF):						
Capital:						
Regulatory Capital	2,131.7	-	-	-	2,131.7	2,131.7
Other Capital Instruments	999.7	-	-	-	999.7	999.7
Retail deposits and deposits from small business customers:						
Stable deposits	-	-	-	-	-	-
Less stable deposits	186.2	649.3	5.9	0.0	841.4	757.3
Wholesale funding:						
Operational deposits	-	-	-	-	-	-
Other wholesale funding	11,056.7	9,577.0	2,842.1	4,017.9	27,493.7	11,851.8
Other liabilities:						
NSFR derivative liabilities	-	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	-	-	-
Total ASF						15,740.6
Required Stable Funding (RSF):						
Total NSFR high-quality liquid assets (HQLA)						894.1
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	876.7	3,204.2	912.2	178.9	5,172.0	1,247.2
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	3,953.0	1,719.4	4,631.9	10,304.3	6,773.3
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	538.0	538.0	349.7
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	-	111.8	15.2	93.3	220.3	153.9
Other assets:						
Physical traded commodities, including gold	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	-	53.7	-	-	45.6
NSFR derivative assets	-	-	27.9	-	-	27.9
NSFR derivative liabilities before deduction of variation margin posted	-	-	45.0	-	-	45.0
All other assets not included in the above categories	1,073.0	-	-	-	1,073.0	1,073.0
OBS items	-	2,341.7	1,422.7	4,840.5	8,604.9	430.2
Total RSF						11,039.9
NSFR (%)						142.6%
At 31st December 2021						
NSFR (%)						146.2%

SUPPLEMENTARY DISCLOSURES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNREVIEWED)

The Coronavirus (COVID-19) outbreak was declared a pandemic in early March 2020 by the World Health Organization (WHO) and has evolved globally. This has resulted in uncertainties and global economic slowdown. This disruption has negatively impacted capital markets, restricted credit markets and increased liquidity concerns. Various measures have been taken by Authorities to contain the spread of COVID-19 including internal quarantine measures to restrict travel. The pandemic and the related measures had some impact on the Group. The Group has activated its business continuity plan, including enabling 75% of its workforce to work from home using the Group's agile technology infrastructure. The Group's operations has not witnessed any business interruption throughout the pandemic. The Group has also revised its risk management practices to contain the potential business disruption on its operations and financial performance.

The regulators where GIB Group operates, including the Central Bank of Bahrain (CBB), Saudi Central Bank (SAMA) and the Central Bank of UAE (CBUAE), have announced various measures to combat the effects of COVID-19 to ease liquidity conditions and stimulate the economy.

Loans and advances

The Group has implemented various loan modification programs and other forms of support to its customers, including offering loan payment deferrals. As at 31st March 2022, 3 clients have been enrolled by the Bank for deferral of payments over periods ranging from 3-15 months. Aggregate of installment amounts being deferred is US$ 9.0 million, which amounts to around 0.1% of the gross exposure. More information on the accounting for loan modifications is available in Note 2.2 – Novel Coronavirus ("COVID-19").

Investment securities

The Group maintains a US$5,824.7 million portfolio of investment securities, of which 98.0% are held at amortised cost. The majority (93.5%) of the debt securities portfolio are investment grade and above, with 75.2% rated A- or higher. There has been no defaults within the portfolio in the past 9 months and all repayments have been received on schedule.

Liquidity and Capital Adequacy

The Group has elevated its long-term liquidity levels to pre-empt potential liquidity stress events that could occur as a result of the COVID19. As at 31st March 2022, cash and liquid assets, placements and securities purchased under agreements to resell comprised 45.8% of total assets. The Group's LCR and NSFR ratios were 139.0% and 142.6% respectively compared to the set minimum ratio of 100% as stipulated by the CBB for both, which was revised down to 80% until 30th June 2022.

The Group continues to meet the regulatory requirement of CAR, LCR and NSFR.

The Group's total capital adequacy as of 31st March 2022 is 16.6%. The Group maintains a healthy capital adequacy compared to the set minimum ratio of 12.5% as stipulated by the CBB.

Performance

Total revenues of $109.0 million for the three months were $18.4 million or 20% up on prior year with increases recorded in almost all revenue categories. The year-on-year increase in the bank's core revenue reflects the continued progress in implementing the bank's strategic transformation plan.

A summary of the financial impact of the regulatory measures at the Group is as follows

	Net impact on the Group's consolidated income statement	Net impact on the Group's consolidated financial position	Net impact on the Group's consolidated owners' equity
	US$ millions	US$ millions	US$ millions
ECL attributable to COVID-19	0.7	0.7	-
	0.7	0.7	-

The above supplementary information is provided to comply with the CBB circular number OG/259/2020 (Reporting of Financial Impact of COVID-19), dated 14th July 2020. This information should not be considered as an indication of the annual financial performance or relied upon for any other purposes. Given the uncertainty of the COVID-19 as highlighted at the beginning of this supplementary disclosure, the above impact reflects the current situation. Change in circumstances will render the above information being out-of-date.

This information does not represent a full comprehensive assessment of COVID-19 impact on the Group and has not been subject to a formal review by the external auditors.