



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 2023

GIB

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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 30 September 2023, comprising the interim consolidated statement of financial position as at 30 September 2023 and the related interim consolidated statements of income and comprehensive income, for the three month and nine month periods then ended, the interim consolidated statement of changes in equity and cash flows for the nine-month period 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.




8 November 2023
Manama, Kingdom of Bahrain

Condensed Interim Consolidated Statement of Financial Position

	Note	30.9.23 US\$ millions	31.12.22 US\$ millions
ASSETS			
Cash and other liquid assets		17,052.8	6,329.0
Securities purchased under agreements to resell		797.0	195.8
Placements		6,880.9	6,988.3
Trading securities		244.6	175.4
Investment securities	8	6,398.0	5,785.5
Loans and advances	9	12,570.5	11,497.6
Other assets		2,144.0	1,650.0
Total assets		46,087.8	32,621.6
LIABILITIES			
Deposits from banks		1,382.4	509.1
Deposits from customers		33,460.2	21,940.5
Securities sold under agreements to repurchase		806.6	537.4
Other liabilities		1,914.3	1,509.5
Senior term financing		5,182.8	4,940.9
Total liabilities		42,746.3	29,437.4
EQUITY			
Share capital		2,000.0	2,500.0
Reserves	10	220.0	450.6
Retained earnings		127.7	(729.0)
Equity attributable to the shareholders of the Bank		2,347.7	2,221.6
Non-controlling interest		993.8	962.6
Total equity		3,341.5	3,184.2
Total liabilities and equity		46,087.8	32,621.6

The condensed interim consolidated financial statements were approved by the Board of Directors on 8th November 2023 and signed on its behalf by:


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 19 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Income

	Note	Three months		Nine months	
		ended	ended	ended	ended
		30.9.23	30.9.22	30.9.23	30.9.22
		US\$ millions	US\$ millions	US\$ millions	US\$ millions
Interest income		582.5	259.1	1,590.9	547.7
Interest expense		453.3	168.0	1,219.8	312.0
Net interest income		129.2	91.1	371.1	235.7
Net fee and commission income	3	29.4	20.5	77.5	76.2
Trading income / (loss)	5	2.3	(7.8)	27.7	(11.7)
Foreign exchange income	4	8.5	12.8	28.2	25.1
Other income	6	8.5	5.7	11.7	11.2
Total operating income		177.9	122.3	516.2	336.5
Staff expenses		60.5	53.5	180.0	150.2
Premises expenses		3.8	4.7	13.2	14.2
Other operating expenses		31.0	30.0	84.6	78.9
Total operating expenses		95.3	88.2	277.8	243.3
Net income before provisions and tax		82.6	34.1	238.4	93.2
Provision charge for expected credit losses	7	(25.0)	(13.3)	(72.6)	(22.2)
Net income before tax		57.6	20.8	165.8	71.0
Taxation charge		(7.7)	(2.2)	(19.4)	(5.8)
Net income		49.9	18.6	146.4	65.2
Attributable to:					
Shareholders of the Bank		41.2	11.6	122.4	50.7
Non-controlling interest		8.7	7.0	24.0	14.5
		49.9	18.6	146.4	65.2



Abdulla Mohammed Al Zamil
Chairman of the Board



Rajeev Kakar
Chairman of the Board Audit Committee



Abdulaziz A. Al-Helaissi
Group Chief Executive Officer

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Condensed Interim Consolidated Statement of Comprehensive Income

	Three months		Nine months	
	ended 30.9.23	ended 30.9.22	ended 30.9.23	ended 30.9.22
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Net income	49.9	18.6	146.4	65.2
Other comprehensive income:				
<u>Items that will not be reclassified to consolidated statement of income:</u>				
Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI)	0.6	(10.6)	13.6	4.1
Remeasurement of defined benefit pension fund	(3.8)	9.7	(3.0)	15.7
Net changes in deferred tax reserves	1.1	(2.3)	0.3	(3.5)
Total other comprehensive (loss) / income	(2.1)	(3.2)	10.9	16.3
Total comprehensive income	47.8	15.4	157.3	81.5
Attributable to:				
Shareholders of the Bank	38.7	13.1	126.1	63.3
Non-controlling interest	9.1	2.3	31.2	18.2
	47.8	15.4	157.3	81.5

The notes on pages 6 to 19 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 US\$ millions	Total US\$ millions
	Share capital	Reserves	Retained earnings	Total		
	US\$ millions	US\$ millions	US\$ millions	US\$ millions		
At 1st January 2023	2,500.0	450.6	(729.0)	2,221.6	962.6	3,184.2
Net income for the period	-	-	122.4	122.4	24.0	146.4
Other comprehensive income for the period	-	3.7	-	3.7	7.2	10.9
Total comprehensive income for the period	-	3.7	122.4	126.1	31.2	157.3
Transfers during the period	-	(5.3)	5.3	-	-	-
Share capital reduction (note 17)	(500.0)	(229.0)	729.0	-	-	-
At 30th September 2023	2,000.0	220.0	127.7	2,347.7	993.8	3,341.5
At 1 st January 2022	2,500.0	435.5	(790.1)	2,145.4	947.6	3,093.0
Net income for the period	-	-	50.7	50.7	14.5	65.2
Other comprehensive income for the period	-	12.6	-	12.6	3.7	16.3
Total comprehensive income for the period	-	12.6	50.7	63.3	18.2	81.5
Transfers during the period	-	1.8	(1.8)	-	-	-
At 30 th September 2022	2,500.0	449.9	(741.2)	2,208.7	965.8	3,174.5

The notes on pages 6 to 19 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Nine months ended 30.9.23 US\$ millions	Nine months ended 30.9.22 US\$ millions
OPERATING ACTIVITIES		
Net income for the period	146.4	65.2
Adjustments for:		
Depreciation and amortisation	21.6	30.3
Provision for expected credit losses - net	72.6	22.2
Realised losses / (gains) on debt investment securities	0.2	(1.9)
Operating income before changes in operating assets and liabilities	240.8	115.8
Changes in operating assets and liabilities:		
Statutory deposits with central banks	(53.9)	(50.0)
Securities purchased under agreements to resell	(601.2)	81.9
Placements	107.3	987.9
Trading securities	(69.2)	(56.5)
Loans and advances	(1,144.0)	933.1
Interest receivable	(257.5)	(89.1)
Other assets	(227.5)	(761.0)
Deposits from banks	873.3	(448.5)
Deposits from customers	11,519.7	4,643.9
Securities sold under agreement to repurchase	269.2	63.8
Interest payable	216.4	86.2
Other liabilities	187.5	377.5
Net cash from operating activities	11,060.9	5,885.0
INVESTING ACTIVITIES		
Purchase of investment securities	(1,068.2)	(1,002.6)
Maturity / sale of investment securities	462.9	1,280.9
Net increase in premises and equipment	(27.6)	(11.9)
Net cash (used in) / from investing activities	(632.9)	266.4
FINANCING ACTIVITIES		
Issuance of senior term financing	737.5	636.6
Maturity of senior term financing	(495.6)	(1,356.7)
Net cash from / (used in) financing activities	241.9	(720.1)
Net increase in cash and cash equivalents	10,669.9	5,431.3
Cash and cash equivalents at 1st January	5,888.1	6,306.7
Cash and cash equivalents at 30th September	16,558.0	11,738.0

Cash and cash equivalents at 30th September 2023 excludes statutory deposits with the Central Bank amounting to US\$ 494.8 million (30th September 2022: US\$ 478.9 million).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the nine months ended 30th September 2023**1 Incorporation and registration**

The parent company, 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 (together "the Group") are principally engaged in the provision of wholesale commercial, asset management, investment banking and retail consumer banking services. The Group operates through subsidiaries, branch offices and representative offices located in six countries worldwide. The total number of staff as at 30th September 2023 was 1,366 (31st December 2022: 1,264).

2 Basis of preparation**2.1 Basis of preparation**

The condensed interim consolidated financial statements of the Group are prepared in accordance with International Accounting Standard IAS 34, Interim Financial Reporting ("IAS 34") and in conformity with the Bahrain Commercial Companies Law and the Central Bank of Bahrain and Financial Institutions Law.

The condensed interim consolidated financial statements of the 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 2022. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31st December 2023.

2.2 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.

2.3 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 consolidated financial statements for the year ended 31st December 2022, except for the adoption of applicable new and amended standards and interpretations with effect from 1st January 2023 as referred to below:

- IFRS 17 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

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		Nine months ended	
	30.9.23	30.9.22	30.9.23	30.9.22
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Fee and commission income				
Commissions on letters of credit and guarantee	10.8	7.6	29.7	24.2
Investment banking and management fees	7.5	6.4	21.9	20.6
Loan agency, underwriting and distribution fees	5.3	2.0	10.9	17.8
Loan commitment fees	3.1	2.0	8.7	7.3
Retail banking fees	1.0	0.7	2.5	2.6
Other fee and commission income	3.1	2.6	7.9	6.9
Total fee and commission income	30.8	21.3	81.6	79.4
Fee and commission expense	(1.4)	(0.8)	(4.1)	(3.2)
Net fee and commission income	29.4	20.5	77.5	76.2

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the nine months ended 30th September 2023**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 / (loss)

	Three months ended		Nine months ended	
	30.9.23	30.9.22	30.9.23	30.9.22
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Managed equity securities	(4.8)	(2.3)	6.8	(5.1)
FX arbitrage	3.2	(7.5)	9.5	(10.5)
Interest rate derivatives	3.9	2.3	8.8	4.4
Managed funds	-	(0.6)	2.4	(0.8)
Commodity options	-	0.1	0.2	0.1
Debt securities	-	0.2	-	0.2
	2.3	(7.8)	27.7	(11.7)

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 derivatives 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		Nine months ended	
	30.9.23	30.9.22	30.9.23	30.9.22
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Recoveries on previously written off assets	6.6	4.0	9.7	6.8
Dividends on equity investments classified as FVTOCI	0.1	0.8	1.1	2.4
Net realised gain on investment debt securities	0.1	0.7	-	1.9
Sundry income	1.7	0.2	0.9	0.1
	8.5	5.7	11.7	11.2

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

	30 th September 2023			
	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Loans and advances	14.0	13.2	43.9	71.1
Investment securities	0.8	(0.3)	-	0.5
Placements	0.1	-	-	0.1
Credit-related financial instruments	0.9	0.4	(0.4)	0.9
	15.8	13.3	43.5	72.6

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 20237 Provision for expected credit losses (continued)

	30 th September 2022			Total US\$ millions
	Stage 1	Stage 2	Stage 3	
	US\$ millions	US\$ millions	US\$ millions	
Loans and advances	(0.6)	(9.3)	31.5	21.6
Investment securities	(0.1)	-	-	(0.1)
Placements	0.1	-	-	0.1
Credit-related financial instruments	1.6	1.5	(2.5)	0.6
	<u>1.0</u>	<u>(7.8)</u>	<u>29.0</u>	<u>22.2</u>

8 Investment securities8.1 Composition

	30.9.23	31.12.22
	US\$ millions	US\$ millions
Debt securities	6,379.7	5,697.8
Equity investments	23.6	92.5
Provisions for expected credit losses	(5.3)	(4.8)
Net investment securities	<u>6,398.0</u>	<u>5,785.5</u>

Debt securities, except for hedged debt securities, are classified as investment securities at amortised cost and equity investments are classified as FVTOCI.

Investment securities include securities that had been pledged as collateral under repurchase agreements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 20238 Investment securities (continued)8.1 Composition (continued)

	30 th September 2023				31 st December 2022			
	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 investment securities	6,403.3	-	-	6,403.3	5,760.2	30.1	-	5,790.3
ECL allowance	(5.3)	-	-	(5.3)	(4.5)	(0.3)	-	(4.8)
Net investment securities	6,398.0	-	-	6,398.0	5,755.7	29.8	-	5,785.5

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

	30.9.23		31.12.22	
	US\$ millions	%	US\$ millions	%
AAA to A- / Aaa to A3	5,792.4	90.9	5,159.6	90.6
BBB+ to BBB- / Baa1 to Baa3	109.3	1.7	124.6	2.2
BB+ to B+ / Ba1 to B1	472.7	7.4	408.8	7.2
Total debt securities	6,374.4	100.0	5,693.0	100.0
Equity investments	23.6		92.5	
	6,398.0		5,785.5	

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 30th September 2023 and at 31st December 2022 principally comprised GCC sovereign debt securities.

8.2 Provisions for expected credit losses

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

	30 th September 2023				30 th September 2022			
	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 1 st January	4.5	0.3	-	4.8	3.3	-	-	3.3
Net remeasurement of ECL allowance	0.8	(0.3)	-	0.5	(0.1)	-	-	(0.1)
At 30 th September	5.3	-	-	5.3	3.2	-	-	3.2

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 including forward-looking information.

9 Loans and advances9.1 Composition

	30.9.23	31.12.22
	US\$ millions	US\$ millions
Gross loans and advances	12,874.9	11,764.3
Provisions for expected credit losses	(304.4)	(266.7)
Net loans and advances	12,570.5	11,497.6

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 20239 Loans and advances (continued)9.1 Composition (continued)

	30 th September 2023				31 st December 2022			
	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	12,232.8	397.5	244.6	12,874.9	10,729.1	841.3	193.9	11,764.3
ECL allowance	(84.5)	(58.0)	(161.9)	(304.4)	(68.0)	(81.2)	(117.5)	(266.7)
Net loans and advances	12,148.3	339.5	82.7	12,570.5	10,661.1	760.1	76.4	11,497.6

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.

The Group calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. The probabilities assigned to the base case, negative case and positive case scenarios are 50:45:05, respectively (31st December 2022: 50:35:15).

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 30th September 2023 and 30th September 2022 are as follows:

	30 th September 2023				30 th September 2022			
	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	68.0	81.2	117.5	266.7	45.8	82.9	166.4	295.1
Transfer to stage 1	4.9	(4.9)	-	-	0.7	(0.7)	-	-
Transfer to stage 2	(0.8)	0.8	-	-	(0.7)	2.1	(1.4)	-
Transfer to stage 3	(1.6)	(32.3)	33.9	-	(0.6)	(1.1)	1.7	-
Exchange rate movements	-	-	0.2	0.2	-	-	(0.7)	(0.7)
Net remeasurement of ECL allowance	14.0	13.2	43.9	71.1	(0.6)	(9.3)	31.5	21.6
Write-offs	-	-	(33.6)	(33.6)	-	-	(1.6)	(1.6)
At 30th September	84.5	58.0	161.9	304.4	44.6	73.9	195.9	314.4

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 202310 Reserves

	Share premium	Compulsory reserve	Voluntary reserve	Investment securities revaluation reserve	Defined pension reserve	Deferred tax and other reserve	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
At 1st January 2023	7.6	241.5	179.0	(10.1)	42.6	(10.0)	450.6
Net fair value gains on equity investments classified as FVTOCI	-	-	-	6.4	-	-	6.4
Transfers to retained earnings	-	-	-	(5.3)	-	-	(5.3)
Share capital reduction (note 17)	(7.6)	(42.4)	(179.0)	-	-	-	(229.0)
Movement during the period	-	-	-	-	(3.0)	0.3	(2.7)
Net (decrease) / increase	(7.6)	(42.4)	(179.0)	1.1	(3.0)	0.3	(230.6)
At 30th September 2023	-	199.1	-	(9.0)	39.6	(9.7)	220.0
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	-	-	-	0.4	-	-	0.4
Transfers to retained earnings	-	-	-	1.8	-	-	1.8
Movement during the period	-	-	-	-	15.7	(3.5)	12.2
Net increase / (decrease)	-	-	-	2.2	15.7	(3.5)	14.4
At 30th September 2022	7.6	233.6	171.1	(5.2)	55.7	(12.9)	449.9

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 202311 Derivatives and foreign exchange instruments

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

	Trading US\$ millions	Hedging US\$ millions	Notional amounts Total US\$ millions
At 30th September 2023			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	5,782.3	-	5,782.3
Options purchased	467.4	-	467.4
Options written	467.4	-	467.4
	<u>6,717.1</u>	<u>-</u>	<u>6,717.1</u>
Interest rate contracts:			
Interest rate swaps	16,303.8	7,948.7	24,252.5
Cross currency swaps	397.3	-	397.3
Futures	93.2	-	93.2
Options, caps and floors purchased	2,592.9	-	2,592.9
Options, caps and floors written	2,592.9	-	2,592.9
	<u>21,980.1</u>	<u>7,948.7</u>	<u>29,928.8</u>
Equity and commodity contracts:			
Options and swaps purchased	42.1	-	42.1
Options and swaps written	42.1	-	42.1
	<u>84.2</u>	<u>-</u>	<u>84.2</u>
Credit default swaps:			
Protection purchased	41.9	-	41.9
Protection sold	41.9	-	41.9
	<u>83.8</u>	<u>-</u>	<u>83.8</u>
	<u>28,865.2</u>	<u>7,948.7</u>	<u>36,813.9</u>
			Notional amounts
	Trading US\$ millions	Hedging US\$ millions	Total US\$ millions
At 31st December 2022			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	5,872.4	-	5,872.4
Options purchased	339.0	-	339.0
Options written	339.0	-	339.0
	<u>6,550.4</u>	<u>-</u>	<u>6,550.4</u>
Interest rate contracts:			
Interest rate swaps	15,501.5	8,879.8	24,381.3
Cross currency swaps	151.9	-	151.9
Futures	63.4	-	63.4
Options, caps and floors purchased	3,358.6	-	3,358.6
Options, caps and floors written	3,358.6	-	3,358.6
	<u>22,434.0</u>	<u>8,879.8</u>	<u>31,313.8</u>
Equity and commodity contracts:			
Options and swaps purchased	35.8	-	35.8
Options and swaps written	35.8	-	35.8
	<u>71.6</u>	<u>-</u>	<u>71.6</u>
Credit default swaps:			
Protection purchased	29.9	-	29.9
Protection sold	29.9	-	29.9
	<u>59.8</u>	<u>-</u>	<u>59.8</u>
	<u>29,115.8</u>	<u>8,879.8</u>	<u>37,995.6</u>

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 nine months ended 30th September 2023**12 Credit-related financial instruments****12.1 Composition**

	30.9.23		31.12.22	
	Notional principal amount US\$ millions	Risk- weighted exposure US\$ millions	Notional principal amount US\$ millions	Risk- weighted exposure US\$ millions
Direct credit substitutes	704.3	683.3	774.8	766.2
Transaction-related contingent items	3,280.6	1,353.6	2,991.4	1,279.5
Short-term self-liquidating trade-related contingent items	1,056.1	187.7	741.0	145.2
Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	3,107.3	1,481.4	2,087.9	873.3
	8,148.3	3,706.0	6,595.1	3,064.2

The notional principal amounts reported above are stated gross before applying credit risk mitigants, such as cash collateral, guarantees and counter-indemnities. At 30th September 2023, the Group held cash collateral, guarantees, counter-indemnities or other high quality collateral in relation to credit-related contingent items amounting to US\$420.2 million (31st December 2022: US\$406.5 million).

12.2 Provisions for expected credit losses

	30 th September 2023				30 th September 2022			
	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 1 st January	7.1	6.6	31.1	44.8	6.1	2.5	32.9	41.5
Transfer to stage 1	1.2	(1.2)	-	-	0.1	(0.1)	-	-
Exchange rate movements	-	-	0.1	0.1	-	-	0.1	0.1
Net remeasurement of ECL allowance	0.9	0.4	(0.4)	0.9	1.6	1.5	(2.5)	0.6
At 30 th September	9.2	5.8	30.8	45.8	7.8	3.9	30.5	42.2

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 nine months ended 30th September 2023**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 30th September 2023 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) <u>US\$ millions</u>	Valuation based on observable market data (level 2) <u>US\$ millions</u>	Other valuation techniques (level 3) <u>US\$ millions</u>
At 30th September 2023			
Financial assets:			
Trading securities	244.2	0.4	-
Investment securities - equities	7.5	-	16.1
Derivative financial instruments	-	1,183.8	-
Financial liabilities:			
Derivative financial instruments	-	844.1	-
At 31st December 2022			
Financial assets:			
Trading securities	172.1	3.3	-
Investment securities - equities	77.0	-	15.5
Derivative financial instruments	-	1,041.4	-
Financial liabilities:			
Derivative financial instruments	-	758.4	-

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 30th September 2023. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the period ended 30th September 2023.

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 STATEMENTSFor the nine months ended 30th September 2023**13 Fair value of financial instruments (continued)****13.7 Valuation basis (continued)**

The movements in the level 3 category is as follows:

	<u>30.9.23</u>	<u>31.12.22</u>
	US\$ millions	US\$ millions
At 1st January	15.5	18.8
Purchases	-	1.0
Sales	(3.7)	(1.8)
Fair value movement	4.3	(2.5)
	<u>16.1</u>	<u>15.5</u>

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 nine months ended 30th September 2023**14** Segmental information (continued)

The business segment analysis is as follows:

	Wholesale banking	Treasury	Asset management and investment banking	Head office and support units	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Nine months ended 30th September 2023					
Net interest income	196.8	117.5	1.1	55.7	371.1
Total income	260.0	162.4	27.5	66.3	516.2
Segment result	156.5	148.2	7.9	(146.8)	165.8
Taxation charge					(19.4)
Net income after tax					146.4
At 30th September 2023					
Segment assets	12,395.3	32,803.8	125.3	763.4	46,087.8
Segment liabilities	12,261.5	23,655.5	4.7	6,824.6	42,746.3
Total equity					3,341.5
Total liabilities and equity					46,087.8
Nine months ended 30th September 2022					
Net interest income	148.7	74.1	0.5	12.4	235.7
Total income	209.2	94.8	21.9	10.6	336.5
Segment result	157.6	84.8	4.1	(175.5)	71.0
Taxation charge					(5.8)
Net income after tax					65.2
At 31st December 2022					
Segment assets	11,211.0	20,483.4	89.6	837.6	32,621.6
Segment liabilities	11,782.3	11,512.5	3.1	6,139.5	29,437.4
Total equity					3,184.2
Total liabilities and equity					32,621.6

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 nine months ended 30th September 202315 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	Directors and senior Management	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
<i>As at 30th September 2023</i>				
Placements	-	912.3	-	912.3
Investment securities	-	349.7	-	349.7
Loans and advances	-	324.6	12.7	337.3
Other assets	-	100.9	-	100.9
Deposits	1,769.1	2,745.4	10.8	4,525.3
Other liabilities	0.8	57.2	-	58.0
Senior term financing	-	860.0	-	860.0
Commitments and contingent liabilities	45.7	1,231.6	1.7	1,279.0
<i>For the period ended 30th September 2023</i>				
Net interest expense	(58.3)	(108.7)	-	(167.0)
Fee and commission income	0.3	2.7	-	3.0
Trading and foreign exchange gain	-	7.2	-	7.2
Other income	-	1.0	-	1.0
Short term employee benefits	-	-	(24.6)	(24.6)
Post-employment benefits	-	-	(1.4)	(1.4)
Directors' fees and related expenses	-	-	(3.1)	(3.1)
<i>As at 31st December 2022</i>				
Cash and other liquid assets	-	2.2	-	2.2
Placements	-	1,122.9	-	1,122.9
Trading securities	-	0.2	-	0.2
Investment securities	-	381.6	-	381.6
Loans and advances	-	667.4	13.2	680.6
Other assets	6.1	77.2	-	83.3
Deposits	1,043.5	3,224.1	6.2	4,273.8
Other liabilities	0.8	55.8	-	56.6
Senior term financing	-	844.7	-	844.7
Commitments and contingent liabilities	45.7	741.6	1.7	789.0
<i>For the period ended 30th September 2022</i>				
Net interest expense	(20.3)	(26.3)	-	(46.6)
Fee and commission income	-	4.0	-	4.0
Trading and foreign exchange loss	-	(6.9)	-	(6.9)
Other income	-	2.3	-	2.3
Short term employee benefits	-	-	(13.8)	(13.8)
Post-employment benefits	-	-	(0.4)	(0.4)
Directors' fees and related expenses	-	-	(2.7)	(2.7)

Senior management personnel comprise the Group Chief Executive Officer and other executive officers of the Group.

Post-employment benefits principally comprise compensation paid to personnel on retirement or resignation from the services of the Group.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30th September 202316 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). 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 30th September 2023, the Group's LCR and NSFR were 133.9% and 152.8% respectively, (31st December 2022: 299.3% and 161.5% respectively). The Group's total capital adequacy as of 30th September 2023 is 16.3% (31st December 2022:17.3%).

	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 30th September 2023						
Available Stable Funding (ASF):						
<u>Capital:</u>						
Regulatory Capital	3,179.4	-	-	-	3,179.4	3,179.4
Other Capital Instruments	162.1	-	-	-	162.1	162.1
<u>Retail deposits and deposits from small business customers:</u>						
Stable deposits	-	-	-	-	-	-
Less stable deposits	128.7	952.8	104.2	-	1,185.7	1,067.1
<u>Wholesale funding:</u>						
Operational deposits	-	-	-	-	-	-
Other wholesale funding	18,754.9	14,699.3	1,974.9	4,487.7	39,916.8	14,735.7
<u>Other liabilities:</u>						
NSFR derivative liabilities	-	-	-	-	-	-
All other liabilities not included in the above categories	-	-	-	-	-	-
Total ASF						19,144.3
Required Stable Funding (RSF):						
<u>Total NSFR high-quality liquid assets (HQLA)</u>						
						1,197.5
<u>Deposits held at other financial institutions for operational purposes</u>						
	-	-	-	-	-	-
<u>Performing loans and securities:</u>						
Performing loans to financial institutions secured by Level 1 HQLA	-	17.7	-	-	17.7	1.8
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	1,136.7	3,357.0	810.1	481.7	5,785.5	1,560.8
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	5,198.0	980.5	4,522.3	10,700.8	6,933.2
- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	1,762.0	1,762.0	1,145.3
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	147.4	2.4	9.5	248.2	407.5	397.6
<u>Other assets:</u>						
Physical traded commodities, including gold	-	-	-	-	-	-
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	62.3	-	-	62.3	52.9
NSFR derivative assets	-	363.9	-	-	363.9	363.9
NSFR derivative liabilities before deduction of variation margin posted	-	83.2	-	-	83.2	83.2
All other assets not included in the above categories	296.6	-	-	-	296.6	296.6
OBS items	-	2,823.2	1,737.9	5,426.2	9,987.3	499.4
Total RSF						12,532.2
NSFR (%)						152.8%
At 31st December 2022						
NSFR (%)						161.5%

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the nine months ended 30th September 2023**17 Share capital reduction**

On 30th March 2023, the Group held an extra-ordinary general meeting (EGM) during which it was resolved to adjust the Group's capital against its accumulated losses as of 31st December 2022 after having received regulatory approvals. The Shareholders have approved the set-off of accumulated retained losses of US\$729.0 million against capital and reserves. In doing so, the Bank has decreased its capital by US\$500.0 million through a 20% reduction in shares as well as using its voluntary reserves and share premium in full, and the reduction of legal reserves by US\$42.4 million. After the restructuring, total shareholders' equity remains unchanged. The Ministry of Industry and Commerce (MOIC) have published the announcement relating to capital reduction in the Official Gazette as part of their final approval process and was reflected in the Bank's Commercial Registration (CR) issued on 15th May 2023.

18 Comparatives

Comparatives have been reclassified in order to conform with the presentation for the current period. Such reclassifications do not affect previously reported net income and total equity of the Group.

	Previously reported <u>31.12.22</u> US\$ millions	Reclassified <u>31.12.22</u> US\$ millions	Reclassified <u>1.1.22</u> US\$ millions
Statement of financial position			
Other assets	1,674.6	1,650.0	709.4
Total assets	32,646.2	32,621.6	31,788.2
Other liabilities	1,534.1	1,509.5	923.8
Total liabilities	29,462.0	29,437.4	28,695.2