



CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2024

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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

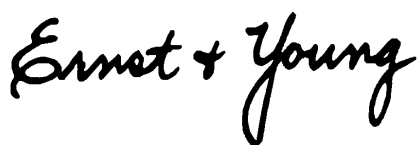
We have reviewed the accompanying condensed interim consolidated financial statements of Gulf International Bank B.S.C. (the “Bank”) and its subsidiaries (together the “Group”) as at 30 June 2024, comprising the interim consolidated statement of financial position as at 30 June 2024 and the related interim consolidated statements of income and comprehensive income, for the three month and six month periods then ended, the interim consolidated statement of changes in equity and cash flows for the six-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.



1 August 2024
Manama, Kingdom of Bahrain

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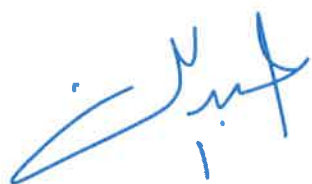
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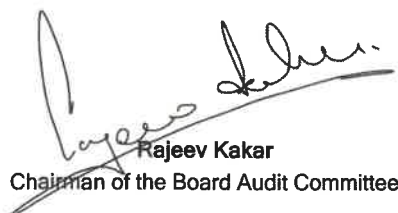
Condensed Interim Consolidated Statement of Financial Position

	Note	30.6.24 US\$ millions	31.12.23 US\$ millions
ASSETS			
Cash and other liquid assets		15,965.9	17,006.5
Securities purchased under agreements to resell		1,054.9	743.9
Placements		5,867.2	7,077.4
Trading securities		293.8	270.8
Investment securities	8	6,898.1	6,716.2
Loans and advances	9	13,855.9	13,624.6
Other assets		1,768.6	1,630.5
Total assets		45,704.4	47,069.9
LIABILITIES			
Deposits from banks		1,356.4	883.9
Deposits from customers		32,345.7	34,517.9
Securities sold under agreements to repurchase		927.5	743.1
Other liabilities		1,633.5	1,535.7
Senior term financing		5,571.4	5,620.7
Subordinated term financing		400.0	400.0
Total liabilities		42,234.5	43,701.3
EQUITY			
Share capital		2,000.0	2,000.0
Reserves	10	233.3	237.3
Retained earnings		219.8	131.3
Equity attributable to the shareholders of the Bank		2,453.1	2,368.6
Non-controlling interest		1,016.8	1,000.0
Total equity		3,469.9	3,368.6
Total liabilities and equity		45,704.4	47,069.9

The condensed interim consolidated financial statements were approved by the Board of Directors on 1st of August 2024 and signed on its behalf by:



Abdulla Mohammed Al Zamil
Chairman of the Board



Rajeev Kakar
Chairman of the Board Audit Committee

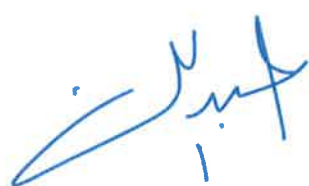


Abdulaziz A. Al-Helaissi
Group Chief Executive Officer

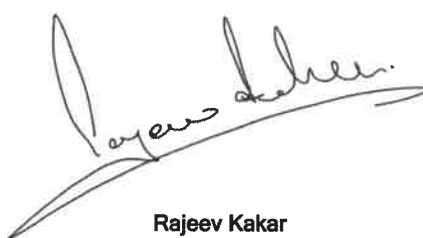
The notes on pages 6 to 19 form part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Income

	Note	Three months		Six months	
		ended	ended	ended	ended
		30.6.24	30.6.23	30.6.24	30.6.23
		US\$ millions	US\$ millions	US\$ millions	US\$ millions
Interest income		735.4	530.0	1,414.5	1,002.7
Interest expense		604.1	411.2	1,154.5	763.5
Net interest income		131.3	118.8	260.0	239.2
Net fee and commission income	3	24.5	23.8	64.4	47.8
Trading income	4	2.5	15.6	6.6	28.1
Foreign exchange income	5	6.4	9.4	12.8	19.7
Other income / (loss)	6	0.9	(1.8)	6.5	3.2
Total operating income		165.6	165.8	350.3	338.0
Staff expenses		68.3	58.4	132.9	119.5
Premises expenses		5.0	5.0	10.0	9.4
Other operating expenses		35.3	26.8	68.1	53.3
Total operating expenses		108.6	90.2	211.0	182.2
Net income before provisions and tax		57.0	75.6	139.3	155.8
Provision for expected credit losses	7	(1.2)	(29.1)	(16.8)	(47.6)
Net income before tax		55.8	46.5	122.5	108.2
Taxation and zakat charges		(7.8)	(6.6)	(16.2)	(11.7)
Net income		48.0	39.9	106.3	96.5
Attributable to:					
Shareholders of the Bank		41.0	33.4	88.5	81.2
Non-controlling interest		7.0	6.5	17.8	15.3
		48.0	39.9	106.3	96.5



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 Comprehensive Income

	Three months		Six months	
	ended 30.6.24 US\$ millions	ended 30.6.23 US\$ millions	ended 30.6.24 US\$ millions	ended 30.6.23 US\$ millions
Net income	48.0	39.9	106.3	96.5
Other comprehensive income:				
<u>Items that will be reclassified to consolidated statement of income:</u>				
Net change in fair value of debt instruments at fair value through other comprehensive income (FVOCI)	(0.2)	-	-	-
Net change in the allowance for expected credit losses of debt instruments at FVOCI	-	-	0.1	-
	(0.2)	-	0.1	-
<u>Items that will not be reclassified to consolidated statement of income:</u>				
Net change in fair value of equity instruments at FVOCI	(1.5)	10.9	(2.2)	13.0
Remeasurement of defined benefit pension fund	(1.0)	0.1	(4.0)	0.8
Net change in deferred tax reserves	0.3	(0.1)	1.1	(0.8)
	(2.2)	10.9	(5.1)	13.0
Total other comprehensive (loss) / income	(2.4)	10.9	(5.0)	13.0
Total comprehensive income	45.6	50.8	101.3	109.5
Attributable to:				
Shareholders of the Bank	39.3	38.7	84.5	87.4
Non-controlling interest	6.3	12.1	16.8	22.1
	45.6	50.8	101.3	109.5

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-	Total
	Share	Reserves	Retained	Total	controlling	
	capital		earnings		interest	
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
At 1st January 2024	2,000.0	237.3	131.3	2,368.6	1,000.0	3,368.6
Net income for the period	-	-	88.5	88.5	17.8	106.3
Other comprehensive loss for the period	-	(4.0)	-	(4.0)	(1.0)	(5.0)
Total comprehensive (loss) / income for the period	-	(4.0)	88.5	84.5	16.8	101.3
At 30th June 2024	2,000.0	233.3	219.8	2,453.1	1,016.8	3,469.9
At 1 st January 2023	2,500.0	450.6	(729.0)	2,221.6	962.6	3,184.2
Net income for the period	-	-	81.2	81.2	15.3	96.5
Other comprehensive income for the period	-	6.2	-	6.2	6.8	13.0
Total comprehensive income for the period	-	6.2	81.2	87.4	22.1	109.5
Transfers during the period	-	(5.3)	5.3	-	-	-
Share capital reduction (note 17)	(500.0)	(229.0)	729.0	-	-	-
At 30 th June 2023	2,000.0	222.5	86.5	2,309.0	984.7	3,293.7

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

Condensed Interim Consolidated Statement of Cash Flows

	Six months ended 30.6.24 US\$ millions	Six months ended 30.6.23 US\$ millions
OPERATING ACTIVITIES		
Net income for the period	106.3	96.5
Adjustments for:		
Depreciation and amortisation	10.3	15.4
Provision for expected credit losses - net	16.8	47.6
Realised loss on debt investment securities	-	0.1
Operating income before changes in operating assets and liabilities	133.4	159.6
Changes in operating assets and liabilities:		
Statutory deposits with central banks	23.0	(13.2)
Certificates of deposit	(471.7)	(134.5)
Derivative valuation margin	128.1	(201.8)
Securities purchased under agreements to resell	(311.0)	(530.5)
Placements	1,210.3	(37.6)
Trading securities	(23.0)	(51.7)
Loans and advances	(245.4)	(1,102.4)
Interest receivable	(14.3)	(154.6)
Other assets	(125.4)	(23.6)
Deposits from banks	472.5	296.2
Deposits from customers	(2,172.2)	10,702.7
Securities sold under agreement to repurchase	184.4	336.0
Interest payable	50.5	133.0
Other liabilities	44.9	24.7
Net cash (used in) / from operating activities	(1,115.9)	9,402.3
INVESTING ACTIVITIES		
Purchase of investment securities	(1,518.0)	(979.9)
Maturity / sale of investment securities	1,334.6	237.3
Net increase in premises and equipment	(12.6)	(16.0)
Net cash used in investing activities	(196.0)	(758.6)
FINANCING ACTIVITIES		
Issuance of term financing	1,378.0	476.8
Maturity of term financing	(1,427.3)	(414.5)
Net cash (used in) / from financing activities	(49.3)	62.3
Net (decrease) / increase in cash and cash equivalents	(1,361.2)	8,706.0
Cash and cash equivalents at 1st January	16,029.9	5,927.3
Cash and cash equivalents at 30th June	14,668.7	14,633.3

Cash and cash equivalents at 30th June 2024 excludes statutory deposits with the Central Bank amounting to US\$474.7 million (30th June 2023: US\$454.1million), certificates of deposit with original maturities of three months or more amounting to US\$666.7 million (30th June 2023: US\$134.5 million) and derivative valuation margin amounting to US\$155.8 million (30th June 2023: US\$162.6 million).

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

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the six months ended 30th June 2024**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 seven countries worldwide. The total number of staff as at 30th June 2024 was 1,410 (31st December 2023: 1,379).

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 2023. Further, results for the interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31st December 2024.

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 Material 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 2023, except for the adoption of applicable new and amended standards and interpretations with effect from 1st January 2024 as referred to below:

- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current

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

New and amended standards and interpretations that are issued but not yet effective will not have a material impact on the interim consolidated financial statements of the Group.

3 Net fee and commission income

	Three months ended		Six months ended	
	30.6.24	30.6.23	30.6.24	30.6.23
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Fee and commission income				
Commissions on letters of credit and guarantee	10.2	9.0	21.8	17.1
Investment banking and management fees	5.1	7.6	15.1	14.4
Loan agency, underwriting and distribution fees	3.9	3.3	13.4	7.3
Retail banking fees	1.2	0.7	6.5	1.5
Loan commitment fees	2.6	2.9	5.4	5.6
Other fee and commission income	3.4	2.0	5.5	4.8
Total fee and commission income	26.4	25.5	67.7	50.7
Fee and commission expense	(1.9)	(1.7)	(3.3)	(2.9)
Net fee and commission income	24.5	23.8	64.4	47.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the six months ended 30th June 2024**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.

Loan agency, underwriting and distribution fees comprise of origination, underwriting, structuring and distribution of financing transactions.

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

4 Trading income

	Three months ended		Six months ended	
	30.6.24	30.6.23	30.6.24	30.6.23
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Managed funds	1.3	10.1	12.5	16.7
Interest rate derivatives	1.8	4.3	2.7	4.9
Commodity options	0.1	0.1	0.1	0.2
FX arbitrage	(0.7)	1.1	(8.7)	6.3
	2.5	15.6	6.6	28.1

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.

5 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.

6 Other income

	Three months ended		Six months ended	
	30.6.24	30.6.23	30.6.24	30.6.23
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Recoveries on previously written off assets	0.4	0.2	6.1	3.1
Dividends on equity investments at FVOCI	0.3	0.2	0.4	1.0
Net realised loss on investment debt securities	-	-	-	(0.1)
Sundry income / (loss)	0.2	(2.2)	-	(0.8)
	0.9	(1.8)	6.5	3.2

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 loss on investment debt securities principally relates to the sale of securities for liquidity management.

Sundry income / (loss) principally comprised of lease liabilities FX revaluation.

7 Provision for expected credit losses

	30 th June 2024			
	Stage 1	Stage 2	Stage 3	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Loans and advances	(9.9)	6.3	17.7	14.1
Investment securities	0.4	-	-	0.4
Placements	(0.1)	-	-	(0.1)
Credit-related financial instruments	(1.8)	(0.7)	4.9	2.4
	(11.4)	5.6	22.6	16.8

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 20247 Provision for expected credit losses (continued)

	30 th June 2023			Total US\$ millions
	Stage 1 US\$ millions	Stage 2 US\$ millions	Stage 3 US\$ millions	
Loans and advances	13.4	17.1	15.5	46.0
Investment securities	0.9	-	-	0.9
Placements	0.3	-	-	0.3
Credit-related financial instruments	0.8	0.1	(0.5)	0.4
	<u>15.4</u>	<u>17.2</u>	<u>15.0</u>	<u>47.6</u>

8 Investment securities8.1 Composition

	<u>30.6.24</u>	31.12.23
	US\$ millions	US\$ millions
<u>Investment securities at amortised cost</u>		
Gross debt securities	6,838.5	6,696.1
Provisions for expected credit losses	(3.4)	(3.1)
Net investment securities at amortised cost	6,835.1	6,693.0
<u>Investment securities at FVOCI</u>		
Debt securities	42.4	-
Equity securities	20.6	23.2
Total investment securities at FVOCI	63.0	23.2
Total investment securities	6,898.1	6,716.2

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

All investment securities were classified under stage 1 as at 30th June 2024 and 31st December 2023.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the six months ended 30th June 2024**8 Investment securities (continued)****8.1 Composition (continued)**

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

	30.6.24		31.12.23	
	US\$ millions	%	US\$ millions	%
AAA to A- / Aaa to A3	6,268.1	91.1	6,071.2	90.8
BBB+ to BBB- / Baa1 to Baa3	72.7	1.1	110.2	1.6
BB+ to B+ / Ba1 to B1	536.7	7.8	511.6	7.6
Total debt securities	6,877.5	100.0	6,693.0	100.0
Equity securities	20.6		23.2	
	6,898.1		6,716.2	

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 June 2024 and at 31st December 2023 principally comprised GCC sovereign debt securities.

8.2 Provisions for expected credit losses

The movements in the provisions for expected credit losses for investment securities at amortised cost were as follows:

	30 th June 2024				30 th June 2023			
	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	3.1	-	-	3.1	4.5	0.3	-	4.8
Net remeasurement of ECL allowance	0.4	-	-	0.4	0.9	-	-	0.9
Exchange rate movements	(0.1)	-	-	(0.1)	-	-	-	-
At 30 th June	3.4	-	-	3.4	5.4	0.3	-	5.7

The allowance for expected credit losses for debt securities at FVOCI amounted to \$0.1 million (31st December 2023: nil).

The above 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**

	30.6.24	31.12.23
	US\$ millions	US\$ millions
Gross loans and advances	14,203.1	13,963.5
Provisions for expected credit losses	(347.2)	(338.9)
Net loans and advances	13,855.9	13,624.6

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 20249 Loans and advances (continued)9.1 Composition (continued)

	30 th June 2024				31 st December 2023			
	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	13,421.9	544.1	237.1	14,203.1	13,231.0	485.7	246.8	13,963.5
ECL allowance	(80.3)	(75.9)	(191.0)	(347.2)	(91.3)	(68.2)	(179.4)	(338.9)
Net loans and advances	13,341.6	468.2	46.1	13,855.9	13,139.7	417.5	67.4	13,624.6

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 2023: 50:45:05).

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 June 2024 and 30th June 2023 are as follows:

	30 th June 2024				30 th June 2023			
	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	91.3	68.2	179.4	338.9	68.0	81.2	117.5	266.7
Transfer to stage 1	0.2	(0.2)	-	-	2.5	(2.5)	-	-
Transfer to stage 2	(1.2)	1.8	(0.6)	-	(0.7)	0.7	-	-
Transfer to stage 3	(0.1)	(0.2)	0.3	-	(1.8)	(8.8)	10.6	-
Exchange rate movements	-	-	-	-	-	-	0.2	0.2
Net remeasurement of ECL allowance	(9.9)	6.3	17.7	14.1	13.4	17.1	15.5	46.0
Write-offs	-	-	(5.8)	(5.8)	-	-	(31.7)	(31.7)
At 30th June	80.3	75.9	191.0	347.2	81.4	87.7	112.1	281.2

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2024

10 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 2024	-	213.1	-	(9.1)	44.4	(11.1)	237.3
Net fair value loss on investments at FVOCI	-	-	-	(1.2)	-	-	(1.2)
Movement during the period	-	-	-	-	(4.0)	1.2	(2.8)
Net (decrease) / increase	-	-	-	(1.2)	(4.0)	1.2	(4.0)
At 30th June 2024	-	213.1	-	(10.3)	40.4	(9.9)	233.3
At 1 st January 2023	7.6	241.5	179.0	(10.1)	42.6	(10.0)	450.6
Net fair value gain on investments at FVOCI	-	-	-	6.2	-	-	6.2
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	-	-	-	-	0.8	(0.8)	-
Net (decrease) / increase	(7.6)	(42.4)	(179.0)	0.9	0.8	(0.8)	(228.1)
At 30 th June 2023	-	199.1	-	(9.2)	43.4	(10.8)	222.5

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June 2024

11 Derivatives and foreign exchange instruments

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

	Trading	Hedging	Notional amounts Total
	US\$ millions	US\$ millions	US\$ millions
At 30th June 2024			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	8,574.4	-	8,574.4
Options purchased	227.9	-	227.9
Options written	227.9	-	227.9
	<u>9,030.2</u>	<u>-</u>	<u>9,030.2</u>
Interest rate contracts:			
Interest rate swaps	17,054.6	5,500.5	22,555.1
Cross currency swaps	417.1	-	417.1
Futures	86.4	-	86.4
Options, caps and floors purchased	2,420.6	-	2,420.6
Options, caps and floors written	2,420.6	-	2,420.6
	<u>22,399.3</u>	<u>5,500.5</u>	<u>27,899.8</u>
Equity and commodity contracts:			
Options and swaps purchased	58.3	-	58.3
Options and swaps written	58.3	-	58.3
	<u>116.6</u>	<u>-</u>	<u>116.6</u>
Credit default swaps:			
Protection purchased	25.8	-	25.8
Protection sold	25.8	-	25.8
	<u>51.6</u>	<u>-</u>	<u>51.6</u>
	<u>31,597.7</u>	<u>5,500.5</u>	<u>37,098.2</u>
	Trading	Hedging	Notional amounts Total
	US\$ millions	US\$ millions	US\$ millions
At 31st December 2023			
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	6,616.7	-	6,616.7
Options purchased	383.2	-	383.2
Options written	383.2	-	383.2
	<u>7,383.1</u>	<u>-</u>	<u>7,383.1</u>
Interest rate contracts:			
Interest rate swaps	15,461.1	6,908.4	22,369.5
Cross currency swaps	492.5	-	492.5
Futures	101.7	-	101.7
Options, caps and floors purchased	2,436.5	-	2,436.5
Options, caps and floors written	2,436.5	-	2,436.5
	<u>20,928.3</u>	<u>6,908.4</u>	<u>27,836.7</u>
Equity and commodity contracts:			
Options and swaps purchased	51.0	-	51.0
Options and swaps written	51.0	-	51.0
	<u>102.0</u>	<u>-</u>	<u>102.0</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>28,497.2</u>	<u>6,908.4</u>	<u>35,405.6</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 six months ended 30th June 202412 Credit-related financial instruments12.1 Composition

	Notional principal amount US\$ millions	30.6.24	Notional principal amount US\$ millions	31.12.23
		Risk- weighted exposure US\$ millions		Risk- weighted exposure US\$ millions
Direct credit substitutes	972.5	869.6	840.1	744.2
Transaction-related contingent items	3,746.7	1,609.2	3,369.8	1,392.6
Short-term self-liquidating trade-related contingent items	770.2	166.0	853.3	155.6
Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	1,970.9	1,005.6	3,259.0	1,639.3
	7,460.3	3,650.4	8,322.2	3,931.7

The notional principal amounts reported above are stated gross before applying credit risk mitigants, such as cash collateral, guarantees and counter-indemnities. At 30th June 2024, the Group held cash collateral, guarantees, counter-indemnities or other high quality collateral in relation to credit-related contingent items amounting to US\$416.2 million (31st December 2023: US\$429.0 million).

12.2 Provisions for expected credit losses

	30 th June 2024				30 th June 2023			
	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	6.9	6.2	36.5	49.6	7.1	6.6	31.1	44.8
Transfer to stage 1	0.1	(0.1)	-	-	0.8	(0.8)	-	-
Transfer to stage 2	(0.2)	0.2	-	-	-	-	-	-
Exchange rate movements	-	-	(0.1)	(0.1)	-	-	0.2	0.2
Net remeasurement of ECL allowance	(1.8)	(0.7)	4.9	2.4	0.8	0.1	(0.5)	0.4
At 30 th June	5.0	5.6	41.3	51.9	8.7	5.9	30.8	45.4

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 STATEMENTSFor the six months ended 30th June 2024**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 and subordinated term financing at 30th June 2024 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 June 2024			
Financial assets:			
Trading securities	293.4	0.4	-
Investment securities - FVOCI	47.5	-	15.5
Derivative financial instruments	-	921.8	-
Financial liabilities:			
Derivative financial instruments	-	661.6	-
At 31st December 2023			
Financial assets:			
Trading securities	270.1	0.7	-
Investment securities - FVOCI	7.1	-	16.1
Derivative financial instruments	-	860.7	-
Financial liabilities:			
Derivative financial instruments	-	655.9	-

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 periods ended 30th June 2024 and 30th June 2023. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the periods ended 30th June 2024 and 30th June 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 six months ended 30th June 2024**13 Fair value of financial instruments (continued)****13.7 Valuation basis (continued)**

The movements in the level 3 category is as follows:

	<u>30.6.24</u>	<u>31.12.23</u>
	US\$ millions	US\$ millions
At 1st January	16.1	15.5
Sales \ write-off	-	(0.1)
Fair value movement	(0.6)	0.7
	15.5	16.1

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 trading securities and net free capital funds and expenses incurred by support units.

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 STATEMENTSFor the six months ended 30th June 2024**14 Segmental information (continued)**

The business segment analysis is as follows:

	<u>Wholesale banking</u> US\$ millions	<u>Treasury</u> US\$ millions	<u>Asset management and investment banking</u> US\$ millions	<u>Head office and support units</u> US\$ millions	<u>Total</u> US\$ millions
Six months ended 30th June 2024					
Net interest income	133.1	78.0	0.7	48.2	260.0
Total income	183.1	91.2	17.1	58.9	350.3
Segment result	142.3	81.4	1.8	(103.0)	122.5
Taxation and zakat charges					(16.2)
Net income after tax					106.3
At 30th June 2024					
Segment assets	13,729.9	31,095.4	142.2	736.9	45,704.4
Segment liabilities	11,708.8	22,677.5	-	7,848.2	42,234.5
Total equity					3,469.9
Total liabilities and equity					45,704.4
Six months ended 30th June 2023					
Net interest income	126.9	79.6	0.3	32.4	239.2
Total income	163.0	109.5	19.8	45.7	338.0
Segment result	96.5	99.3	6.7	(94.3)	108.2
Taxation and zakat charges					(11.7)
Net income after tax					96.5
At 31st December 2023					
Segment assets	13,457.4	32,712.5	135.8	764.2	47,069.9
Segment liabilities	12,705.4	23,335.2	6.0	7,654.7	43,701.3
Total equity					3,368.6
Total liabilities and equity					47,069.9

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 six months ended 30th June 202415 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
As at 30th June 2024				
Cash and other liquid assets	-	0.1	-	0.1
Placements	-	764.5	-	764.5
Investment securities	-	224.2	-	224.2
Loans and advances	-	1,129.3	13.3	1,142.6
Other assets	0.4	128.3	-	128.7
Deposits	1,291.6	3,140.8	13.7	4,446.1
Other liabilities	-	41.6	-	41.6
Senior term financing	-	980.0	-	980.0
Commitments and contingent liabilities	-	680.8	2.1	682.9
For the period ended 30th June 2024				
Net interest expense	(39.4)	(37.5)	-	(76.9)
Fee and commission income	0.4	2.4	-	2.8
Trading and foreign exchange income	-	6.1	-	6.1
Other income	-	0.2	-	0.2
Short term employee benefits	-	-	(22.3)	(22.3)
Post-employment benefits	-	-	(1.2)	(1.2)
Directors' fees and related expenses	-	-	(2.5)	(2.5)
As at 31st December 2023				
Cash and other liquid assets	-	0.1	-	0.1
Placements	-	1,547.8	-	1,547.8
Investment securities	-	375.7	-	375.7
Loans and advances	-	773.1	12.5	785.6
Other assets	2.2	135.6	-	137.8
Deposits	1,596.9	3,273.3	10.4	4,880.6
Other liabilities	1.2	64.3	-	65.5
Senior term financing	-	960.0	-	960.0
Commitments and contingent liabilities	-	1,643.8	1.9	1,645.7
For the period ended 30th June 2023				
Net interest expense	(41.4)	(70.0)	-	(111.4)
Fee and commission income	0.3	1.9	-	2.2
Trading and foreign exchange gain	-	2.4	-	2.4
Other income	-	0.9	-	0.9
Short term employee benefits	-	-	(17.3)	(17.3)
Post-employment benefits	-	-	(1.0)	(1.0)
Directors' fees and related expenses	-	-	(2.0)	(2.0)

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 six months ended 30th June 202416 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). 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 June 2024, the Group's LCR and NSFR were 129.4% and 154.6% respectively, (31st December 2023: 137.8% and 143.0% respectively). The Group's total capital adequacy as of 30th June 2024 is 16.7% (31st December 2023:18.9%). Effective June 2024, the calculation of the Eligible Capital for Capital Adequacy has been updated in accordance with the Central Bank of Bahrain directives. This update changes the method of eligible capital from full aggregation to applying regulatory consolidation rules, particularly concerning minority interests held by third parties. As a result, the Group's Capital Adequacy Ratio as of 30th June 2024 has been adjusted to reflect this revised approach mandated by the regulator.

	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 June 2024						
Available Stable Funding (ASF):						
<u>Capital:</u>						
Regulatory Capital	3,030.0	-	-	-	3,030.0	3,030.0
Other Capital Instruments	439.9	-	-	400.0	839.9	839.9
<u>Retail deposits and deposits from small business customers:</u>						
Less stable deposits	132.4	1,221.4	73.0	-	1,426.8	1,284.1
<u>Wholesale funding:</u>						
Other wholesale funding	18,106.2	14,530.5	1,149.4	5,102.6	38,888.7	15,240.1
Total ASF						20,394.1
Required Stable Funding (RSF):						
<u>Total NSFR high-quality liquid assets (HQLA)</u>						
						1,232.9
<u>Performing loans and securities:</u>						
Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	692.4	2,736.3	1,353.0	282.6	5,064.3	1,473.4
Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: - With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	6,333.7	1,465.4	4,397.3	12,196.4	7,637.3
Securities that are not in default and do not qualify as HQLA, including exchange- traded equities	174.7	23.7	6.9	288.4	493.7	474.3
<u>Other assets:</u>						
Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs	-	73.0	-	-	73.0	62.1
NSFR derivative assets	-	232.7	-	-	232.7	232.7
NSFR derivative liabilities before deduction of variation margin posted	-	61.8	-	-	61.8	61.8
All other assets not included in the above categories	230.9	-	-	-	230.9	230.9
OBS items	-	3,198.2	1,362.4	4,454.5	9,015.1	450.8
Total RSF						13,188.4
NSFR (%)						154.6%
At 31st December 2023						
NSFR (%)						143.0%

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**For the six months ended 30th June 2024****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.