



Gulf International Bank B.S.C.

**CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the nine months ended 30th September 2015

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTSFor the nine months ended 30th September 2015**Table of contents****Independent auditors' review report to the Board of Directors**

Consolidated statement of financial position	1
Consolidated statement of income	2
Consolidated statement of comprehensive income	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the condensed interim consolidated financial statements	
1. Incorporation and registration.....	6
2. Accounting policies	6
3. Fee and commission income.....	6
4. Foreign exchange income.....	6
5. Trading income	7
6. Other income.....	7
7. Investment securities	7
8. Loans and advances	8
9. Reserves.....	9
10. Derivatives and foreign exchange instruments.....	10
11. Credit-related financial instruments.....	10
12. Fair value of financial instruments.....	11
13. Segmental information	12
14. Earnings per share.....	14



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

The Board of Directors
Gulf International Bank BSC
Manama
Kingdom of Bahrain

22 October 2015

Introduction

We have reviewed the accompanying 30 September 2015 condensed consolidated interim financial information of Gulf International Bank BSC (the "Bank"), and its subsidiaries (together the "Group"), which comprises:

- the condensed consolidated statement of financial position as at 30 September 2015;
- the condensed consolidated statement of income for the three months and nine months period ended 30 September 2015;
- the condensed consolidated statement of comprehensive income for the three months and nine months period ended 30 September 2015;
- the condensed consolidated statement of changes in equity for the three months and nine months period ended 30 September 2015;
- the condensed consolidated statement of cash flows for the three months and nine months period ended 30 September 2015; and
- notes to the condensed consolidated interim financial information.

The Board of Directors of the Bank is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2015 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Consolidated statement of financial position

	<i>Note</i>	<u>30.9.15</u> US\$ millions	<u>31.12.14</u> US\$ millions
ASSETS			
Cash and other liquid assets		3,958.3	2,472.6
Securities purchased under agreements to resell		1,447.5	1,305.2
Placements		4,053.6	5,180.5
Trading securities		71.6	72.7
Investment securities	7	4,245.6	3,944.5
Loans and advances	8	9,540.1	7,931.5
Other assets		592.7	393.2
Total assets		<u>23,909.4</u>	<u>21,300.2</u>
LIABILITIES			
Deposits from banks		1,484.9	1,240.1
Deposits from customers		15,521.0	12,897.8
Securities sold under agreements to repurchase		1,389.8	618.0
Other liabilities		540.8	342.9
Senior term financing		2,415.0	3,372.9
Subordinated term financing		150.0	477.8
Total liabilities		<u>21,501.5</u>	<u>18,949.5</u>
EQUITY			
Share capital		2,500.0	2,500.0
Reserves	9	382.2	392.0
Retained earnings		(474.3)	(541.3)
Total equity		<u>2,407.9</u>	<u>2,350.7</u>
Total liabilities & equity		<u>23,909.4</u>	<u>21,300.2</u>

The condensed interim consolidated financial statements were approved on 22nd October 2015 and signed on behalf of the Board of Directors by:-

Jammaz bin Abdullah Al-Suhaimi
Chairman

Abdullah bin Hassan Al-Abdulgader
Chairman of the Board Audit Committee

Yahya bin Abdullah Alyahya
Chief Executive Officer

The notes on pages 6 to 14 form part of these condensed interim consolidated financial statements.

Consolidated statement of income

	Note	Three months ended		Nine months ended	
		30.9.15	30.9.14	30.9.15	30.9.14
		US\$ millions	US\$ millions	US\$ millions	US\$ millions
Interest income		93.6	79.4	250.5	231.9
Interest expense		40.2	39.0	111.5	114.9
Net interest income		53.4	40.4	139.0	117.0
Fee and commission income	3	13.3	15.0	52.4	50.4
Foreign exchange income	4	4.0	4.9	15.8	15.1
Trading income	5	0.5	1.1	4.9	3.5
Other income	6	3.6	4.9	11.7	14.7
Total income		74.8	66.3	223.8	200.7
Staff expenses		32.8	28.8	95.3	85.0
Premises expenses		4.0	4.1	12.0	12.2
Other operating expenses		10.5	8.4	31.0	25.3
Total operating expenses		47.3	41.3	138.3	122.5
Net income before provisions and tax		27.5	25.0	85.5	78.2
Provision release for investment securities	7	-	2.5	-	2.5
Provision charge for loans and advances	8	(9.7)	(4.8)	(19.6)	(7.3)
Net income before tax		17.8	22.7	65.9	73.4
Taxation charge on overseas activities		(0.4)	(0.2)	(1.2)	(0.7)
Net income		17.4	22.5	64.7	72.7
<i>Earnings per share</i>	14	<i>US\$0.01</i>	<i>US\$0.01</i>	<i>US\$0.03</i>	<i>US\$0.03</i>

Jammaz bin Abdullah Al-Suhaimi
Chairman

Abdullah bin Hassan Al-Abdulgader
Chairman of the Board Audit Committee

Yahya bin Abdullah Alyahya
Chief Executive Officer

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Consolidated statement of comprehensive income

	Three months ended		Nine months ended	
	30.9.15 US\$ millions	30.9.14 US\$ millions	30.9.15 US\$ millions	30.9.14 US\$ millions
Net income	17.4	22.5	64.7	72.7
Items that may subsequently be reclassified to consolidated statement of income:-				
Cash flow hedges:-				
- net changes in fair value	(0.4)	-	0.3	(0.2)
- net amount transferred to consolidated statement of income	-	-	-	0.2
	<u>(0.4)</u>	<u>-</u>	<u>0.3</u>	<u>-</u>
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)	(22.8)	33.1	(10.0)	51.8
Remeasurement of defined benefit pension fund	0.8	(7.0)	2.2	(15.3)
	<u>(22.0)</u>	<u>26.1</u>	<u>(7.8)</u>	<u>36.5</u>
Total other comprehensive income	<u>(22.4)</u>	<u>26.1</u>	<u>(7.5)</u>	<u>36.5</u>
Total comprehensive income	<u>(5.0)</u>	<u>48.6</u>	<u>57.2</u>	<u>109.2</u>

The notes on pages 6 to 14 form part of these condensed interim consolidated financial statements.

Consolidated statement of changes in equity

	<u>Share capital</u>	<u>Reserves</u>	<u>Retained earnings</u>	<u>Total</u>
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
At 1st January 2015	2,500.0	392.0	(541.3)	2,350.7
Net income for the period	-	-	64.7	64.7
Other comprehensive income for the period	-	(9.8)	2.3	(7.5)
Total comprehensive income for the period	-	(9.8)	67.0	57.2
At 30th September 2015	2,500.0	382.2	(474.3)	2,407.9
At 1st January 2014	2,500.0	374.3	(610.3)	2,264.0
Net income for the period	-	-	72.7	72.7
Other comprehensive income for the period	-	48.7	(12.2)	36.5
Total comprehensive income for the period	-	48.7	60.5	109.2
At 30th September 2014	2,500.0	423.0	(549.8)	2,373.2

The notes on pages 6 to 14 form part of these condensed interim consolidated financial statements.

Consolidated statement of cash flows

	Nine months ended 30.9.15 US\$ millions	Nine months ended 30.9.14 US\$ millions
OPERATING ACTIVITIES		
Net income	64.7	72.7
Adjustments to reconcile net income to net cash inflow from operating activities:		
Provisions for investment securities	-	(2.5)
Provisions for loans and advances	19.6	7.3
Realised profits on debt investment securities	(2.5)	(1.4)
Amortisation of investment securities	8.1	10.8
Amortisation of senior term financing	0.1	-
Net increase in statutory deposits with central banks	(48.7)	(7.9)
Net increase in securities purchased under agreements to resell	(142.3)	(322.4)
Net decrease in placements	1,126.9	433.4
Net decrease / (increase) in trading securities	1.1	(10.9)
Net increase in loans and advances	(1,628.2)	(170.2)
Increase in accrued interest receivable	(29.0)	(4.7)
Increase in accrued interest payable	20.8	9.0
Net decrease / (increase) in other net assets	4.3	(64.7)
Net increase / (decrease) in deposits from banks	244.8	(373.7)
Net increase in deposits from customers	2,623.2	281.5
Net cash inflow / (outflow) from operating activities	2,262.9	(143.7)
INVESTING ACTIVITIES		
Purchase of investment securities	(1,052.1)	(652.8)
Sale and maturity of investment securities	740.1	572.4
Net cash outflow from investing activities	(312.0)	(80.4)
FINANCING ACTIVITIES		
Net increase / (decrease) in securities sold under agreements to repurchase	771.8	(49.2)
Net (decrease) / increase in senior term financing	(957.9)	1,074.2
Net decrease in subordinated term financing	(327.8)	-
Net cash (outflow) / inflow from financing activities	(513.9)	1,025.0
Increase in cash and cash equivalents	1,437.0	800.9
Cash and cash equivalents at 1st January	2,339.6	1,515.8
Cash and cash equivalents at 30th September	3,776.6	2,316.7

The notes on pages 6 to 14 form part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

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 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. The Group operates through subsidiaries, branch offices and representative offices located in six countries worldwide.

2. Accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The condensed interim consolidated financial statements for the nine months ended 30th September 2015 have been prepared in compliance with International Accounting Standard (IAS) No. 34: Interim Financial Reporting. The accounting policies have been consistently applied by the Bank and its subsidiaries and are consistent with those of the previous year, as set out in the consolidated financial statements for the year ended 31st December 2014.

3. Fee and commission income

	Three months ended		Nine months ended	
	30.9.15	30.9.14	30.9.15	30.9.14
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Fee and commission income				
Investment banking and management fees	5.1	5.9	28.4	23.3
Commissions on letters of credit and guarantee	6.9	8.4	21.0	25.0
Loan commitment fees	0.5	0.6	1.3	1.5
Other fee and commission income	1.1	0.5	2.7	1.7
Total fee and commission income	13.6	15.4	53.4	51.5
Fee and commission expense	(0.3)	(0.4)	(1.0)	(1.1)
Net fee and commission income	13.3	15.0	52.4	50.4

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.

4. Foreign exchange income

Foreign exchange income principally comprises customer-initiated foreign exchange contracts, including bespoke structured derivative products, 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

5. Trading income

	Three months ended		Nine months ended	
	30.9.15	30.9.14	30.9.15	30.9.14
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Managed funds	(0.4)	0.5	3.1	2.4
Interest rate derivatives	1.0	0.4	2.1	0.6
Equity securities	(0.1)	0.2	(0.3)	0.5
	0.5	1.1	4.9	3.5

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.

6. Other income

	Three months ended		Nine months ended	
	30.9.15	30.9.14	30.9.15	30.9.14
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Dividends on equity investments classified as FVTOCI	3.3	4.5	9.1	9.5
Realised profits on investment debt securities	0.3	0.4	2.5	1.4
Recoveries on previously written off assets	-	-	0.1	3.8
	3.6	4.9	11.7	14.7

7. Investment securities

7.1 Composition

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

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

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

	30.9.15		31.12.14	
	US\$ millions	%	US\$ millions	%
AAA to A- / Aaa to A3	3,394.2	85.9	3,298.3	90.6
BBB+ to BBB- / Baa1 to Baa3	558.2	14.1	341.8	9.4
Total debt securities	3,952.4	100.0	3,640.1	100.0
Non-specific provisions	(3.2)		(3.2)	
Equity investments	296.4		307.6	
	4,245.6		3,944.5	

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

7. **Investment securities** (continued)

7.2 Provisions for impairment

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

	<u>2015</u>	<u>2014</u>
	US\$ millions	US\$ millions
At 1 st January	3.2	7.7
Release for the period	-	(2.5)
At 30 th September	<u>3.2</u>	<u>5.2</u>

The provisions for the impairment of investment securities entirely comprised non-specific provisions for debt investment securities determined on a collective basis.

8. **Loans and advances**

8.1 Composition

	<u>30.9.15</u>	<u>31.12.14</u>
	US\$ millions	US\$ millions
Gross loans and advances	9,899.6	8,532.6
Provisions for impairment	(359.5)	(601.1)
Net loans and advances	<u>9,540.1</u>	<u>7,931.5</u>

8.2 Provisions for impairment

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

	<u>2015</u>			<u>2014</u>		
	Specific	Non-specific	Total	Specific	Non-specific	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
At 1 st January	453.1	148.0	601.1	423.3	168.0	591.3
Exchange rate movements	(0.2)	-	(0.2)	(0.2)	-	(0.2)
Amounts utilised	(261.0)	-	(261.0)	-	-	-
Amounts reallocated	5.5	(5.5)	-	-	-	-
Charge / (release) for the period	19.6	-	19.6	20.3	(13.0)	7.3
At 30 th September	<u>217.0</u>	<u>142.5</u>	<u>359.5</u>	<u>443.4</u>	<u>155.0</u>	<u>598.4</u>

Amounts utilised during the nine months ended 30th September 2015 represented provisions utilised on the transfer of the related loans to the memorandum records. Recovery efforts on these loans are still ongoing with the intention to maximise potential recoveries.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

9. Reserves

	<u>Share premium</u>	<u>Compulsory reserve</u>	<u>Voluntary reserve</u>	<u>Cash flow hedge reserve</u>	<u>Investment securities revaluation reserve</u>	<u>Total</u>
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
At 1st January 2015	7.6	214.1	151.6	(0.3)	19.0	392.0
Net fair value gains on cash flow hedges	-	-	-	0.3	-	0.3
Net fair value losses on equity investments classified as FVTOCI	-	-	-	-	(10.0)	(10.0)
Transfers to retained earnings	-	-	-	-	(0.1)	(0.1)
Net increase	-	-	-	0.3	(10.1)	(9.8)
At 30th September 2015	7.6	214.1	151.6	-	8.9	382.2
At 1st January 2014	7.6	206.7	144.2	-	15.8	374.3
Net fair value losses on cash flow hedges	-	-	-	(0.2)	-	(0.2)
Net fair value gains on equity investments classified as FVTOCI	-	-	-	-	51.8	51.8
Transfers to retained earnings	-	-	-	-	(3.1)	(3.1)
Transfers to consolidated statement of income	-	-	-	0.2	-	0.2
Net increase	-	-	-	-	48.7	48.7
At 30th September 2014	7.6	206.7	144.2	-	64.5	423.0

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

10. Derivatives and foreign exchange instruments

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

	Trading	Hedging	30.9.15 Total	31.12.14 Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Foreign exchange contracts:-				
Unmatured spot, forward and futures contracts	4,272.6	3,249.8	7,522.4	7,253.8
Options purchased	2,515.0	-	2,515.0	1,908.4
Options written	2,515.0	-	2,515.0	1,908.4
	<u>9,302.6</u>	<u>3,249.8</u>	<u>12,552.4</u>	<u>11,070.6</u>
Interest rate contracts:-				
Interest rate swaps	1,327.2	13,200.6	14,527.8	11,685.1
Cross currency swaps	-	-	-	533.3
Options, caps and floors purchased	10.4	-	10.4	12.4
Options, caps and floors written	10.4	-	10.4	12.4
	<u>1,348.0</u>	<u>13,200.6</u>	<u>14,548.6</u>	<u>12,243.2</u>
Commodity contracts:-				
Options and swaps purchased	26.0	-	26.0	16.2
Options and swaps written	26.0	-	26.0	16.2
	<u>52.0</u>	<u>-</u>	<u>52.0</u>	<u>32.4</u>
	<u>10,702.6</u>	<u>16,450.4</u>	<u>27,153.0</u>	<u>23,346.2</u>

At 30th September 2015, the Value-at-Risk of the foreign exchange, interest rate and commodity trading contracts analysed in the table above was US\$0.1 million, nil and nil respectively (31st December 2014: nil, nil and nil respectively). Value-at-Risk is a measure of market risk exposure and represents an estimate, with a 99 per cent level of confidence, of the potential loss that might arise if the positions were to be held unchanged for ten consecutive business days. The estimate is based on a twelve month historical observation period of unweighted data from the DataMetrics data set.

11. Credit-related financial instruments

	30.9.15 Notional principal amount	31.12.14 Notional principal amount
	US\$ millions	US\$ millions
Direct credit substitutes	578.6	528.3
Transaction-related contingent items	1,646.3	2,058.2
Short-term self-liquidating trade-related contingent items	541.5	498.4
Commitments, including undrawn loan commitments and underwriting commitments under note issuance and revolving facilities	1,191.5	891.1
	<u>3,957.9</u>	<u>3,976.0</u>

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 2015, the Group held cash collateral, guarantees, counter-indemnities or other high quality collateral in relation to credit-related contingent items amounting to US\$429.6 million (31st December 2014: US\$526.9 million).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

12. 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.

12.1 Trading securities

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

12.2 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.

12.3 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.

12.4 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 and subordinated term financing at 30th September 2015 approximate their respective book values.

12.5 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 financial assets and liabilities approximate their respective book values due to their short-term nature.

12.6 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. Specific provisions made in respect of individual transactions where a potential for loss has been identified are included in provisions for the impairment of loans and advances.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

12. **Fair value of financial instruments** (continued)

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 2015			
Financial assets:-			
Trading securities	70.3	1.3	-
Investment securities - equities	176.2	-	120.2
Derivative financial instruments	-	265.5	-
Financial liabilities:-			
Derivative financial instruments	-	284.9	-
At 31st December 2014			
Financial assets:-			
Trading securities	71.1	1.6	-
Investment securities - equities	183.5	-	124.1
Derivative financial instruments	-	130.0	-
Financial liabilities:-			
Derivative financial instruments	-	131.0	-

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.

During the period ended 30th September 2015, the value of investment securities whose measurement was determined by other valuation techniques (level 3 measurement) decreased by US\$3.9 million (30th September 2014: US\$4.7 million). The decrease principally comprised changes in assigned valuations as recognised in other comprehensive income. No transfers out of, or into, the level 3 measurement classification occurred during the period ended 30th September 2015. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the period ended 30th September 2015.

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.

13. **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, and the provision of financial advisory services relating to structured financing, privatisations, initial public offerings, and mergers and acquisitions.
- 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.
- Financial markets: the provision of asset and fund management services.
- 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.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

13. Segmental information (continued)

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.

The business segment analysis is as follows:-

	Wholesale banking	Treasury	Financial markets	Head office and support units	Total
	US\$ millions	US\$ millions	US\$ millions	US\$ millions	US\$ millions
Nine months ended 30.9.15					
Net interest income	66.7	47.2	-	25.1	139.0
Total income	103.1	69.7	19.3	31.7	223.8
Segment result	56.1	61.6	14.6	(66.4)	65.9
Taxation charge on overseas activities					(1.2)
Net income after tax					64.7
Nine months ended 30.9.14					
Net interest income	51.4	40.4	-	25.2	117.0
Total income	91.3	57.9	19.9	31.6	200.7
Segment result	55.0	49.8	15.4	(46.8)	73.4
Taxation charge on overseas activities					(0.7)
Net income after tax					72.7
30.9.15					
Segment assets	9,698.2	13,822.3	47.1	341.8	23,909.4
Segment liabilities	-	18,838.1	10.9	2,652.5	21,501.5
Total equity					2,407.9
Total liabilities and equity					23,909.4
31.12.14					
Segment assets	8,086.1	12,846.2	39.0	328.9	21,300.2
Segment liabilities	-	15,014.6	10.7	3,924.2	18,949.5
Total equity					2,350.7
Total liabilities and equity					21,300.2

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the nine months ended 30th September 2015

14. **Earnings per share**

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

	Three months ended		Nine months ended	
	30.9.15	30.9.14	30.9.15	30.9.14
Net income (US\$ millions)	17.4	22.5	64.7	72.7
Weighted average number of shares in issue (millions)	2,500.0	2,500.0	2,500.0	2,500.0
Basic earnings per share (US\$)	US\$0.01	US\$0.01	US\$0.03	US\$0.03

The diluted earnings per share is equivalent to the basic earnings per share set out above.