Annual Report and Financial Statements

Gulf International Bank (UK) Limited

As of 31 December 2023

Contents

General Information

Directors

The directors at the date of this report are:

Abdulaziz Al-Helaissi (Chair)

John Xefos

Turki AlMalik

Katherine Garrett-Cox

Gary Withers

Ralph Campbell

Miriam Greenwood

Abdulla Mohammed Alzamil

Soraya Chabarek

Jamal Ali AL Kishi (resigned 28 February 2024)

Auditors

Ernst & Young LLP 25 Churchill Place, London, E14 5EY

Registered Office

First Floor, One Curzon Street, London, W1J 5HD,
United Kingdom

Introduction

1.1 Purpose and Audience

This document is Gulf International Bank (UK) Limited's ("GIB UK" or "GIB AM") Annual Report. It contains a Strategic Report, Directors Report and the Financial Statements.

The Strategic Report is primarily designed to inform and benefit providers of financial capital, in line with the Integrated Reporting Framework. However, GIB AM recognises that it also presents valuable insights for a wider set of stakeholders.

1.2 Reporting Boundary

1.2.1 Annual and Strategic Reporting Boundaries

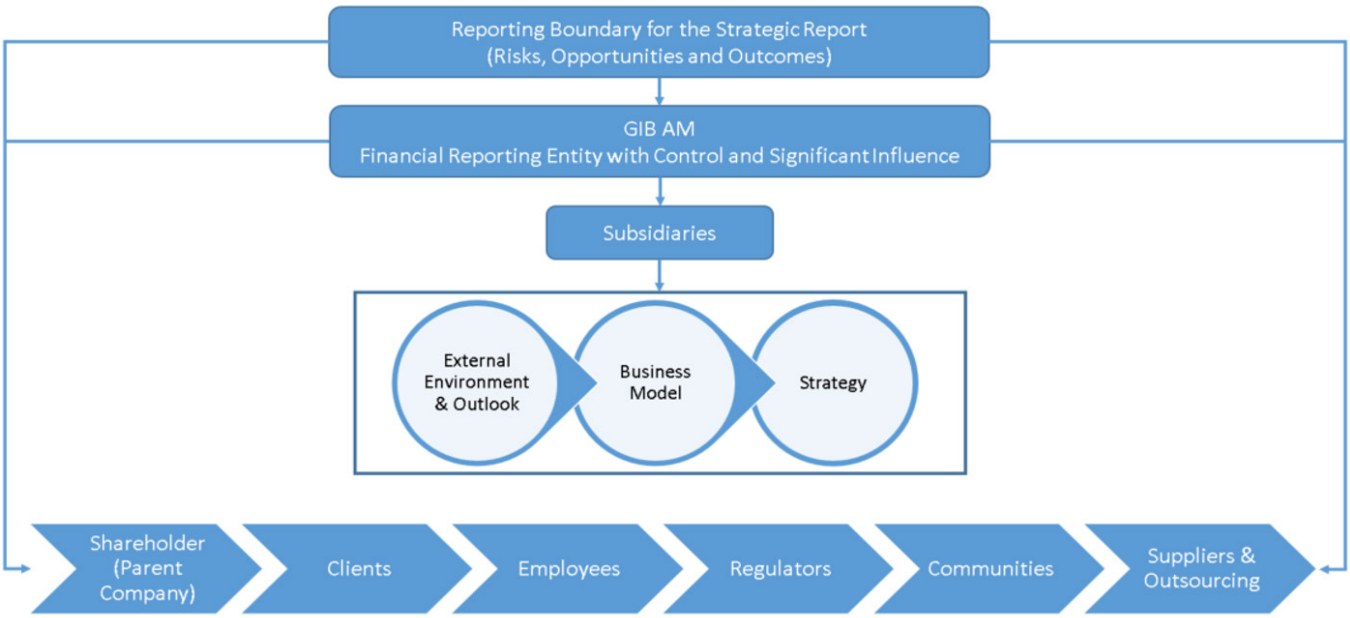
The Reporting Boundary of the Annual and Strategic Report refers solely to GIB AM. The Parent Company, Gulf International Bank (GIB) B.S.C., is not within the Reporting Boundary of the Annual and Strategic Reports; GIB AM and its subsidiaries constitute an independent organisation separate from GIB BSC. GIB AM is governed by its own Board of Directors, possesses its own capital base, and is authorized by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA).

GIB B.S.C is the "Shareholder"; a key stakeholder for whom GIB AM generates value. GIB BSC's Annual and Sustainability Reports complement those of GIB AM.

The Reporting Period for the Annual and Strategic Reports is 1 January to 31 December 2023.

1.2.2 Strategic Reporting Boundary

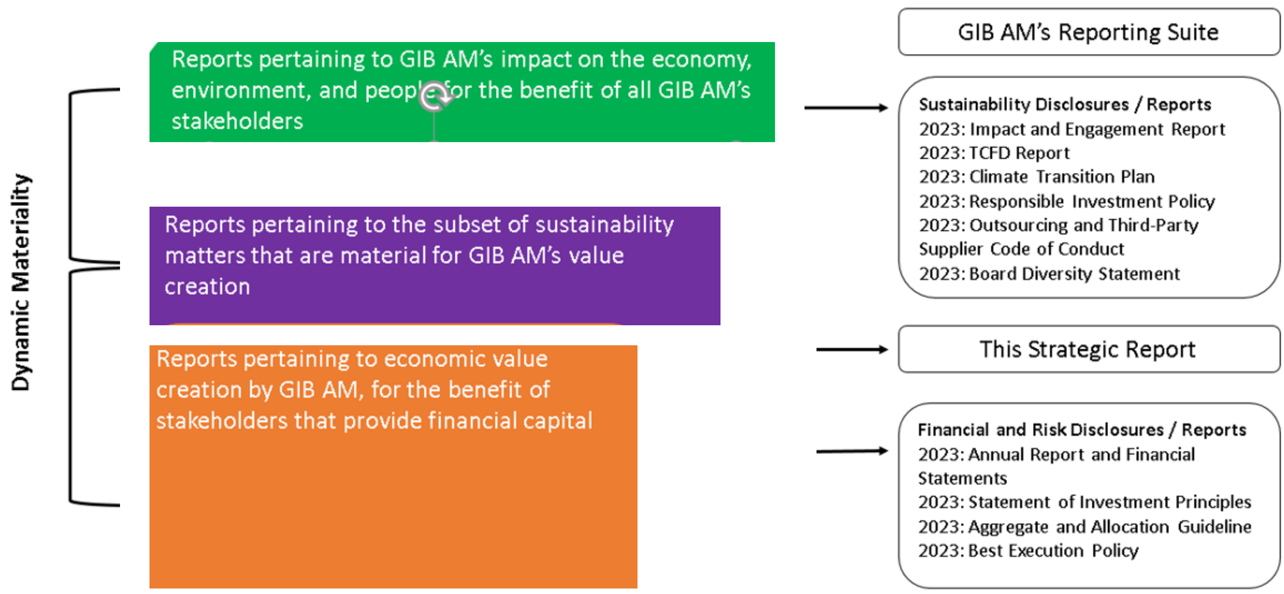
The Reporting Boundary of the Strategic Report outlines the risks, opportunities and outcomes for stakeholders and other entities beyond GIB AM that have a significant effect on the ability of GIB AM to create value.



1.3 Materiality Determination

In the Integrated Reporting Framework, “materiality determination” is how the organisation identifies and assesses the importance of various economic, environmental and social issues that can affect its ability to create value over the short, medium and long term.

For this Strategic Report, GIB AM focuses on financially material topics. The impact of GIB AM’s operations and activities on economic, environmental and social factors is covered separately in its Sustainability Report.



In 2023, GIB AM conducted a structured four-step Materiality Assessment to determine its Material Topics GIB AM will continuously monitor and periodically reassess to ensure compliance and alignment with the evolving regulatory environment. We plan to use these topics as the basis for future disclosures, in line with IFRSS1.

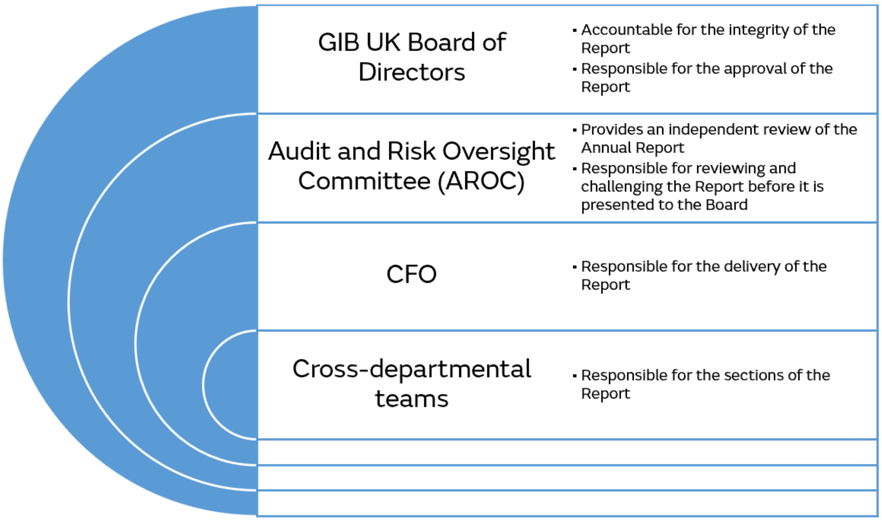
1	Understanding GIB AM's context
2	Identifying actual and potential positive and negative impacts
3	Assessing the significance of the impacts for GIB AM
4	Prioritising the impacts

Material topics for GIB AM

- Climate and the Environment
- Human Capital Development and Wellbeing
- Diversity, Inclusion and Gender Equality
- Financial System Stability

1.4 Approvals and Assurance

1.4.1 Preparation and approval approach



Each of these roles and their respective responsibilities contribute to a comprehensive and integrated approach to governance, emphasising collaboration, oversight, and compliance in the preparation and subsequent approval of the Annual Report.

1.4.2 Assurance

The Report was prepared in line with GIB AM's Disclosure Policy. The Annual Report undergoes an initial assessment through its internal governance controls.

1.4.3 Board Statement of Approval

The Directors at the date of this report are:

Abdulaziz Al-Helaissi (Chair)
Abdulla Mohammed Alzamil
Turki AlMalik
Ralph Campbell
Soraya Chabarek
Katherine Garrett-Cox
Miriam Greenwood
Gary Withers
John Xefos

....   Date......................................

Signed on behalf of the Board

2. CEO Statement

I am delighted to present the GIB AM Annual Report for 2023. The Annual Report for 2023 extends beyond presenting our financial results; it reflects our commitment to meaningful value creation for all our stakeholders. This report complements other GIB AM publications, including documents released this year such as the GIB AM Impact and Engagement Report and the GIB AM Climate Transition Plan.

2.1 2023 Achievements

The key feature of 2023's performance at GIB AM was resilience in a financial landscape marked by volatility and uncertainty.

Our Treasury and Banking business has exceeded expectations, outperforming last year's impressive revenue figures. While the international interest rate environment provided tailwinds, this success is a tribute to our team's expertise in identifying and capitalising on market opportunities, while maintaining their focus on the bank's clients and their needs.

The investment arm of our business has also seen significant achievements this year. Despite the global challenges in asset raising, our fund strategies have built solid track records and we strengthened our pipeline of client opportunities. The acquisition of new clients, though fewer than anticipated, marks a significant step forward in our growth strategy.

2.2 2024 Plans

Looking to the future, our focus remains on identifying and exploiting market opportunities while deepening client relationships. Our commitment to sustainability is unwavering, as evidenced by the publication of the GIB AM Climate Transition Plan, and our Impact and Engagement Report. These initiatives demonstrate our dedication to sustainable investment.

In closing, I am confident in our ability to meet the challenges ahead and continue our trajectory of growth and success. We will strive to achieve our goals in 2024 and beyond, guided by our strategy and commitment to generating value and achieving excellent outcomes for all of our stakeholders.

3. Performance

3.1 Statement from the CFO

2023 has proven to be an excellent year for GIB AM with our Treasury and Banking businesses having a record year delivering standout performance despite the significant volatility. In the first half of 2023, volatility was driven by the SVB failure and the Credit Suisse bail out and throughout the year the market expectations for interest rate hiking and potential cuts swung rapidly on inflation and GDP data. The success delivered in 2023 is testament to the team's skill and experience at managing the risk and opportunities in such volatility markets.

Building a World Class Sustainability led Asset Management business remains a key strategic focus for GIB AM and during 2023 we have continued to make great strides to delivering this goal. There was a further broadening of the product offering with the launch of the GIB AM European Focus Fund. The funds track records have continued to mature with notably strong performance from the GIB AM Emerging Market Active Engagement Fund and the GIB AM Sustainable World Corporate Bond Fund who have produced excellent track records since inception. Although all the funds track records are still to reach their 3 year anniversary, we managed to attract new external clients, have products included on fund platforms and our Business Development effort has ratcheted up during the year and we expect to see further progress in attracting assets in 2024.

From an external perspective, 2023 saw the heightening of both Economic risk and Geopolitical risk. Inflation and subsequent Central bank interest rate hikes and potential cuts were a feature of 2023 and in 2024 we anticipate the volatility to continue as the market attempts to forecast the pace at which inflation dampens. Geopolitical risk has also heightened during 2023 with the war in Ukraine continuing and the Israel / Hamas war with increased risk of escalation. In 2024, there is an additional potential risk from the significant number of elections being held around the Globe. It is estimated that countries with over half the World's population will go to the polls in 2024 and this creates more instability especially when some of the largest economies are holding elections e.g. US, the EU, India, UK and Taiwan. All these elections have their own potential to create disruption. No Business is immune to such risks and we will need to stay vigilante to avoid pitfalls and create opportunities for our clients.

3.2 Financial performance

The overall profit after tax for the year was $39.9mn (2022: $7.1mn). As stated earlier, the profit growth was principally due to the success of our Treasury & Banking business who successfully navigated the challenging market conditions. Also with Central Bank interest rate increases throughout 2023, we have been able to increase the income on our capital. The Deposit balances from customers and banks grew during 2023 and finished the period at $20.9bn up from $9.7bn at 2022 which is testament to the strength of our client relationships and client funding requirements.

These factors resulted in our Income increasing from $61.8m to $109.8m during the year. The higher levels of income was partially offset by the small increase in the cost base due to the continued investment to develop and grow our Asset management business.

Regulatory capital and liquidity measures remain strong:

	2023 US $mn	2022 US $mn	Change %
Net Interest Income	41.9	38.5	9%
Net Fees and Commission Income	3.4	2.1	62%
Net Trading Income	46.4	4.8	867%
Foreign exchange income	15.3	11.7	31%
Other Operating Income	2.9	4.8	-40%
Operating Expenses	-57.3	-52.7	9%
Profit/ (Loss) before Tax	52.5	9.1	477%
Tax	-12.6	-2.0	530%
Profit / (Loss) after tax	39.9	7.1	462%
Shareholders' equity	458.0	418.7	9%
Average number of employees	112	101	

Key Financial Indicators	Description	2023	2022
Total Deposits	Measure of GIB AM's deposits from customers and banks	$20.9bn	$9.7bn
Total AUM	Total Assets Under Management	$6.0bn	$9.4bn
Tier 1 Capital ratio	Measure of GIB AM's financial strength, expressed as a ratio of total capital to risk weighted assets	21.3%	23.3%

The directors do not recommend a payment of a dividend for 2023 (2022: Nil).

3.3 Non-Financial performance

Greenhouse gas emissions information

To comply with the Streamlined Energy and Carbon Reporting (SECR), we disclose our carbon emissions. For details at a group level, see the Sustainability Report.

GIB (UK) emissions	Data gathered / consumption	2021 tCO2e	Data gathered / consumption	2022 tCO2e	Data gathered / consumption	2023 tCO2e
Scope 1	Refrigerants: 8.96 kilograms of leaked refrigerants	3.83	Refrigerants: 8.96 kilograms of leaked refrigerants	3.82	Refrigerants: 7.16[1] kilograms of leaked refrigerants Gas boiler: 5866.93 m3[2]	5.59
Scope 2	Office: Kwh 109,532[3] DR* site: Kwh 12,494.84	34.1	Office: Kwh 135,345 DR site: Kwh 12,715.36	37.2	Office: kwh 144,428 DR sites: Kwh 30,422.37[4]	44.58
Scope 3	Employee commute: 60,778 KM in total Taxi journeys: 1,560.7 KM Flights: 417,339.9 KM Hotel stays: 181 nights in total	194.89	Employee commute: 132,512.7 KM in total Taxi journeys: 5,755.5 KM Flights: 1,054,685.2 KM Hotel stays: 524 nights in total	477.84	Employee commute: 226,768 KM in total Taxi journeys: 9,746.98 KM Flights: 1,291,769.43KM Trains: 4,156.06 KM Hotel stays: 618 nights in total	535.31
Total (scope 1,2 and 3)		232.79		518.84		585.48
Intensity ratio: Intensity ratio: tCO2e / FTE		2.71		4.94		5.00

*DR = Disaster Recover Sites

For the detailed methodology, see our Carbon Emissions Reporting Framework. There were no restatements of prior years' data.

[1] Figure changed due to change in underlying estimate
[2] GIB UK managed to obtained gas boiler data for the year 2023 (this was previously not provided)
[3] Electricity bills provided by building management. No account was taken for home use
[4] DR emissions increased compared to last year due to the fact that GIB obtained sufficient data to calculate emissions from the second DR site. For the Global Switch DR site, GIB used Q1 2022 data as proxy to estimate 2023 emissions. This was due to the fact that data from the DR site provider is no longer available due to DR site provider going into administration and new provider not providing any information

Change in emissions

Scope 1, 2 and 3 emissions increased relative to 2022.

The main reason for this was the increase in business travel – both employee commute and overseas travel (scope 3).

Similar to last year, our overseas travel reflected collaboration with other parts of the GIB Group; visits to clients; business development trips; and investment research and engagement activity.

Our enhanced data collection efforts resulted in the inclusion of emissions from gas boilers and from the second data recovery site, which resulted in the slight increase in emissions (scope 1 and 2).

GHG emissions intensity also increased, albeit only marginally.

4. External Environment and Outlook

4.1 External Environment and Short, Medium and Long Term Value Creation

The section reviews the Macroeconomic (Economy and Industry), Geopolitical, Legal and Regulatory, and Sustainability contexts that affect our organisation's ability to create value over the short, medium and long term time horizons.

Macroeconomic (Industry)

External Environment

A gradual recovery was observed in global markets as 2023 progressed, boosting investor confidence, rebounds in stock and fixed income markets, and stabilising commodity markets.

Factors contributing to this recovery included resilience in certain sectors, cautious optimism in stock valuations, ongoing concerns about inflation and potential recessions, and significant movements in currencies and interest rates.

Fixed income markets rebounded from a difficult year in 2022, with bond valuations becoming more attractive due to significantly higher yields.

Equity markets have generally continued to perform well, with the U.S. and Japan leading the way. Technology stocks, have shown exceptional performance. However, China's market remains a source of concern, especially due to struggles in the real estate sector.

Downward pressure on fees in the global asset management industry has been significant in recent years (including 2023), influenced by several key factors:

- Increased competition
- Regulatory changes
- Demand for cost effective solutions
- Technology and automation

Money market funds are expected to benefit from higher interest rates in the short term. However, any increase in quantitative tightening could drive banks to increase their deposit rates, weighing on money market flows. If rates fall, in tandem with the easing of global monetary policy, longer duration fixed income assets could offer more attractive yields, which would dampen the demand for money market assets.

Short, Medium and Long Term Value Creation

The current volatility in global markets presents immediate opportunities for our Treasury and Banking business. The focus on short-term, transactional wins allows the team to create value in the volatile market environment. However, in the medium to long term, value creation could be subdued as market dynamics normalise and the demand for other assets increases.

While our active Asset Management business also benefits from the current market state, its long-term investment strategy means that the focus is always several years ahead. The business has good potential for value creation in the medium to long-term, as it stands to benefit from solid long-term growth. However, inflationary erosion of real asset values remains a risk that may dampen demand for long-term investing.

The downward pressure on fees in the global asset management business is leading to tighter profit margins, necessitating increased efficiency and cost- cutting measures. This trend is intensifying competition and accelerating the shift towards passive investment strategies, such as index funds and ETFs, which typically have lower fees. Asset management firms are now compelled to innovate and offer value-added services to differentiate themselves in order to justify their fees.

Additionally, this fee pressure is fostering industry consolidation and an increased reliance on technology and automation to maintain profitability. The ability of global asset managers to create value from fees in short, medium and long term depends on the extent to which the organisation adapts to these trends.

Macroeconomic (Economy)

External Environment

In line with the IMF's estimates, global annual GDP growth slowed to 3.0% in 2023 from 3.5% in 2022. This global deceleration has been accompanied by significant inflation, persistently high interest rates, supply chain disruptions, and labour shortages.

Recent projections for the EU and Euro area's annual growth rate have been revised downward; according to the European Commission's Summer 2023 Interim Economic Forecast, both the EU and euro area are expected to experience growth of (~0.6%). Inflation remains high, but is expected to decline.

The US growth rate surpassed the Federal Reserve's initial projection of 2.1% for 2023, with the US Bureau of Economic Analysis reporting that real GDP increased at an annual rate of 5.2% in Q3 2023, demonstrating the resilience of the US economy.

Excluding China, growth in Emerging Market (EM) and developing economies is expected to slow from 3.8% in 2022 to 2.7% in 2023. This deceleration reflects challenges such as weaker external demand, high inflation, currency depreciation, tighter financing conditions, and other domestic factors. S&P Global Ratings has reduced its projection for real gross domestic product growth in these markets to 3.8% for 2023, down from an earlier estimate of 4.1%.

Growth in the GCC also decelerated relative to its peak in 2022. However, compared to other global economies, the GCC has experienced reasonable growth in 2023 with estimates of between 2.5% and 3.5%. This has been driven by robust oil prices and national diversification efforts.

Short, Medium and Long Term Value Creation

During periods of global economic challenges, especially in volatile market environments, GIB AM's Treasury and Banking teams have been able to seize short-term market opportunities. This

agility and responsiveness has resulted in record revenue results, enabling value creation for stakeholders by providing consistent, strong financial outcomes during challenging macroeconomic environments.

When facing more stable macroeconomic conditions in the medium to long term, the Treasury and Banking business may find it more challenging to identify lucrative opportunities, potentially impeding its ability to generate increased value through its business activities.

Despite current global and regional macroeconomic complexities posing immediate challenges, the medium to long term prospects for our Asset Management business look promising, with solid global asset growth expected.

Legal and Regulatory

External Environment

This year has been characterised by the strengthening of regulatory frameworks globally.

In the US, EU, Euro area, and the UK, the efforts were directed towards enhancing financial resilience and the integration of ESG within their respective regulatory frameworks.

GCC regulators have achieved considerable progress in broad integration of ESG principles.

Short, Medium and Long Term Value Creation

The increased geopolitical unrest, particularly in the Middle The development of regulation relating to sustainability supports our asset management business. It helps us to mitigate greenwashing risk and create value in the face of anti-ESG sentiment. Furthermore, it is likely to also enhance the appeal of our sustainable product suite across the short, medium and long terms.

As sustainability regulations solidify and become a global norm, we may see an erosion of our competitive advantage as sustainable products and services become the norm in the asset management industry in the medium to long term, potentially limiting our ability to create value.

Our Treasury and Banking business continues to be supported by a robust regulatory framework, and this is expected to persist.

Geopolitical

External Environment

Significant geopolitical events in 2023 have had substantial social and economic implications.

Conflicts in Ukraine and the Middle East impacted the global economic outlook, presenting challenges including the risk of energy supply disruptions.

Short, Medium and Long Term Value Creation

The increased geopolitical unrest, particularly in the Middle East e.g. the Israel / Palestine conflict could escalate and create increased conflict between the KSA and Iran and / or the US, along with ongoing conflicts globally, results in immediate concerns for both Treasury and Banking through credit exposures and volatility in interest rates.

However, credit and interest rate risk management is a key part of a bank's business, and so dealing with such issues is part of business-as-usual.

The record number of elections in 2024 introduces a landscape of geopolitical uncertainty, particularly to power transitions to new political entities. These dynamics heighten the risk of policy uncertainty, exposing certain sectors such renewable energy and sustainability broadly to the risks of policy flux. Financial institutions should respond by refining their risk management and adapt investment strategies accordingly to bolster resilience and investor confidence amid geopolitical uncertainty.

2024 is also a year of a high level of elections. Countries with over half the World's population are due to go the polls this year and in particular countries with some of the largest economies. This could lead to instability in policies if new parties are elected.

Sustainability

External Environment

The 21st century has seen sustainability emerge as a dominant social trend, with sustainable investment being a major component. Despite growing anti-ESG voices in certain regions, the global trend towards sustainable development has maintained its forward momentum.

2023 saw continued significant investment in sustainable assets, with the Global Sustainable Investment Review reporting that the global AUM for sustainable assets reached >$30tn this year. Traditional non- ESG funds saw outflows of $565 billion at year-end.

Organisations globally are shifting from simply discussing sustainability to implementing actionable strategies, according to IMD.

Notably, the GCC region has made significant strides in sustainability, particularly in the sphere of sustainable finance, as highlighted by a PwC Middle East Report.

Short, Medium and Long Term Value Creation

The increase in appetite for sustainable assets strengthens our sustainability- centred Asset Management proposition. With sustainability increasingly becoming the norm, our Asset Management business is well-positioned to create value across short, medium, and long-term horizons.

While there is a possible risk of market saturation in the medium to long term, we are optimistic about establishing a competitive advantage in sustainable investment and corporate sustainability.

Treasury and Banking business activity is yet to be materially impacted by sustainability.

4.2 Outlook: Forward-looking Expectation

Macroeconomic (Economy)

Projections for global economic growth in 2024 range from 2.7% to 3.0%. The OECD projects a growth rate of 2.7% in 2024, picking up to 3.0% in 2025, while the IMF forecasts a global growth rate of 3.0% for 2024.

Central bank rates will continue to influence economic activity in the short-term, with the IMF forecasting a fall in global headline inflation to 5.2% in 2024. The US economy is expected to continue its growth trajectory in 2024, with Goldman Sachs research predicting GDP growth of 1.8% on a Q4/Q4 basis, or 2.1% on a full-year basis.

In the EU and Euro area, GDP growth is projected to be around 1.6% to 1.7% in 2024. The European Commission forecasts a 1.7% growth rate, closely aligning with the 1.6% projection from the EU's Summer 2023 Interim Economic Forecast. The EY ITEM Club has significantly revised its forecast for the UK's economic growth in 2024, which was initially projected to grow at 1.9%, this has been more than halved to 0.8% with the downward revision attributed to the impact of elevated interest rates. The majority of EM economies, excluding China and Saudi Arabia, are expected to expand below their long-term trend rates. Forecasts for 2024 and 2025 remain largely unchanged, averaging at around 4.3%. The forecast for the GCC region's growth is 3.6%, reflecting similar growth prospects to 2023.

Macroeconomic (Industry)

The outlook for global equity and fixed income markets, including emerging markets, for 2024 and beyond is varied. The outlook suggests cautious optimism, emphasising selective investment strategies and a focus on long-term opportunities. Key points from several financial institutions:

Equities: J.P. Morgan Research forecasts a challenging environment for equity markets in 2024, with modest growth in earnings amid geopolitical risks. The S&P 500's earnings growth is estimated at 2–3%, and the price target is 4,200 with a downside bias. Vanguard expects a higher-rate environment to depress asset valuations globally, with U.S. equity return expectations downgraded to an annualised 4.1%–6.1% for the next decade Goldman Sachs suggests potential opportunities outside the U.S., driven by likely reversals in valuation expansion and U.S. dollar strength.

Fixed Income: Vanguard sees the rise in interest rates as beneficial for long-term investors, expecting U.S. bonds to return a nominal annualised 4.8%–5.8% over the next decade, with similar returns for international bonds.

Emerging Markets: State Street Global Advisors highlights opportunities in EM debt and equities, noting that EM central banks may start cutting rates earlier than their developed counterparts. Vanguard projects 10-year annualised returns of 6.4%–8.4% for emerging markets, indicating opportunities outside the US. In 2024, the global asset management industry is expected to confront challenges such as margin pressures and heightened competition, further driving the need for technology investment and innovation for growth. Investment performance will remain a crucial driver, with client expectations shifting towards personalisation and efficiency. Firms are likely to invest in emerging asset areas such as fixed income, private credit, disruptive technology and sustainability to adapt to changing market conditions and maintain profitability.

Legal and Regulatory

In the short to medium term, financial resilience and ESG integration will remain areas of focus for global regulators. The rapid deployment of disruptive AI technologies and applications highlights the urgency for establishing robust international governance mechanisms for effective legal oversight.

Geopolitical

Geopolitical risks, including ongoing conflicts and their economic impacts, will continue to be a significant factor in 2024; the global political landscape's influence on energy markets and trade dynamics will be critical areas of concern. Any heightened risk could have knock on effect on the Global interest rate environment and potentially pose a risk to the stability of the financial markets.

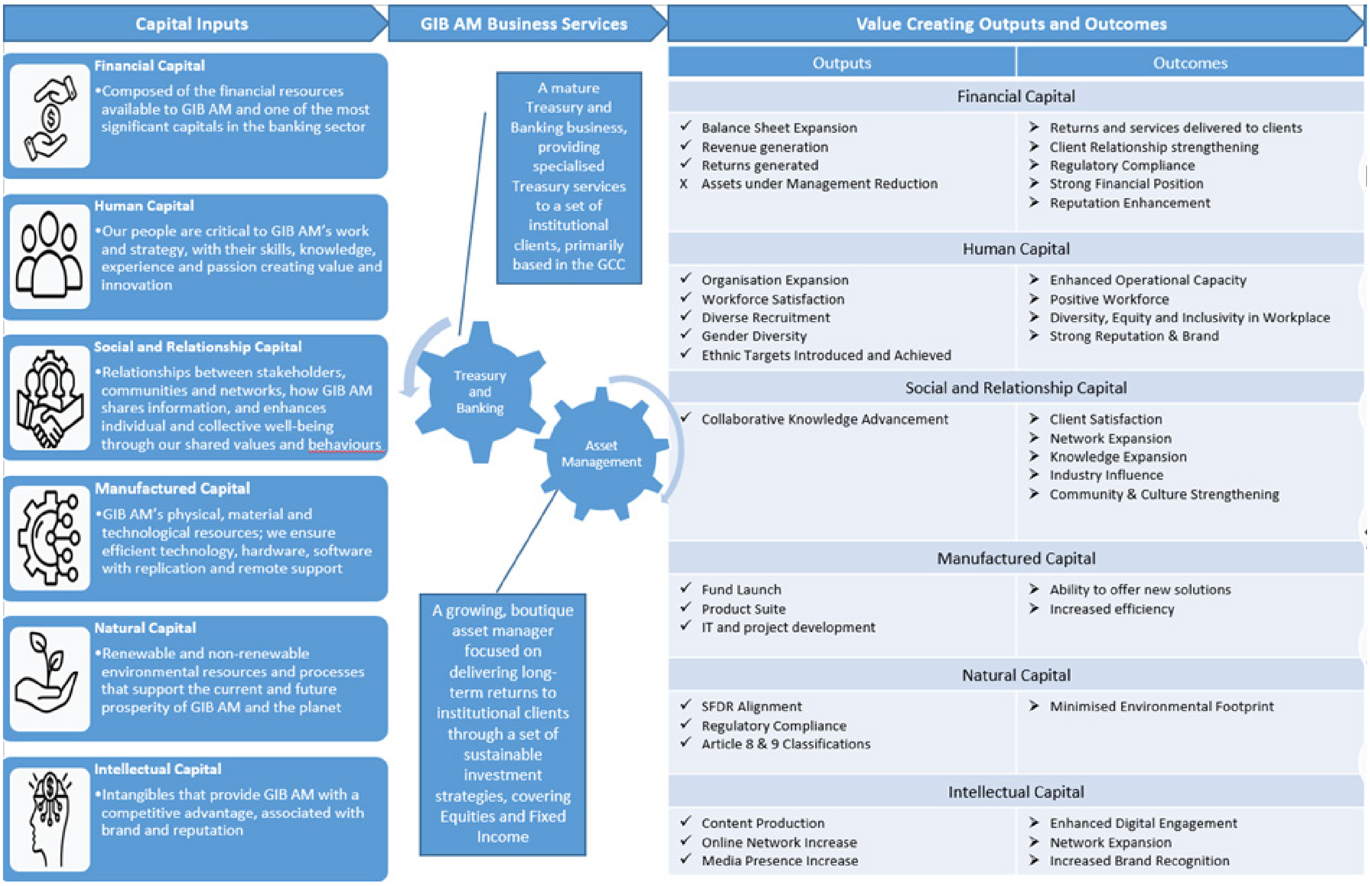
Sustainability

The upward trajectory in sustainable investment is expected to continue. This will be driven by the need to meet demand from increasingly sustainability conscious clients and to keep pace with the evolving regulatory landscape. The integration of actionable sustainability strategies and technological advancements is set to be a defining global trend. “Climate Positive” technology and AI will drive innovation and efficiency in corporate sustainability efforts.

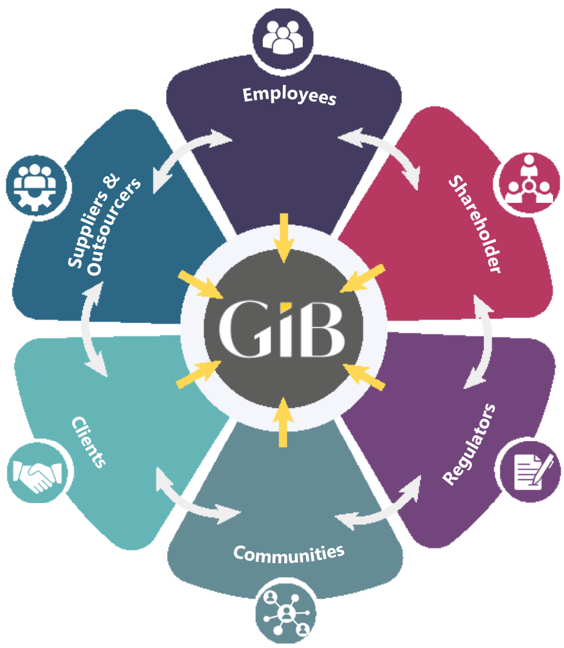
5. Business Model

Business Model Overview

The visual illustrates how GIB AM creates value through its business model. It depicts how GIB AM is able to transform inputs through its business activities into outputs and outcomes that contribute to GIB AM's strategic direction and create value for its stakeholders. For a more detailed discussion on stakeholders, see section 7.7.



GIB AM Stakeholders



5.1 Capitals

This section assesses GIB AM's six capital inputs, specifying their respective metrics, the actual and potential trade-offs between each of the capitals, and which stakeholders are most impacted as part of the value creation process.

Financial Capital | Human Capital | Manufactured Capital | Intellectual Capital | Natural Capital | Social Capital

5.1.1 Financial Capital

Capital – **Capital Stocks and Flows** – **Outputs and Outcomes** – **Trade-offs**

Financial Capital

Metrics	Stocks[1]	Flows[2]	
Average balance sheet size (USD bn): Total value of assets and liabilities averaged over the year	Balance sheet size averaging $16.5n in 2023 **Larger client deposits driving increase**	Balance sheet size averaging >$10bn in 2022	↑
Assets under Management (USD bn): Total market value of managed financial assets at year-end	Assets under Management (AUM) $6.1bn, as of 31 December 2023 **AUM declined in 2023 because of net outflows**	Assets under Management (AUM) $9bn, as of 31 December 2022	↓
Gross revenue YTD (USD mm): Total revenue before deductions at year-end	Revenue $99.6mm, as of 31 December 2023 **Increased business activity volumes, adept balance sheet management, disciplined spending**	Revenue $61.8m, as of 31 December 2022	↑
Outperformance (%): Calculated at year-end, relative to benchmarks includes both funds and segregated mandates	88% (7 out of 8) of portfolios outperforming their benchmark, as of 31 December 2023 **Stock selection, market conditions, expansion of funds**	60% of portfolios outperforming against their benchmark, as of December 2023	↑

Outputs

- ✓ Expansion of the GIB AM balance sheet, a direct result of increased client deposits
- ✓ Larger sized balance sheet boosting Treasury and Banking's capacity for investment and lending
- ✓ Excellent returns for Treasury and Banking clients
- ✓ AUM decrease due to outflows
- ✓ Highest total income generated from business services before deductions
- ✓ Investment performance targets met by Asset Management business

Outcomes

- ➢ Strengthening of Treasury and Banking client relationships
- ➢ Reassessment and refinement of GIB AM's asset raising strategy, an adaptation to AUM change
- ➢ Strong regulatory compliance (limits fully adhered to)
- ➢ Strengthened GIB AM's financial health, robustness and resilience
- ➢ Reputation enhancement for both Treasury and Banking and Asset Management

Trade-offs

Human Capital
- Short-term financial investment in human capital development, with a long-term view of enhancing the company's performance and asset value

Social and Relationship Capital
- Financial resources strategically allocated to social and relationship capital initiatives over the short, medium and long term to enhance stakeholder relationships and employee engagement

Manufactured Capital
- Investment in technology impacts financial capital but is expected to yield efficiencies and cost reductions, boosting long-term financial returns

Natural Capital
- Financial resources are allocated to manage the carbon footprint, which initially reduces financial capital but is projected to enhance brand reputation and stakeholder relations

Intellectual Capital
- Funding intellectual capital to build competitive advantage, expecting a long-term payoff in financial growth.

Stakeholders impacted

5.1.2 Human Capital

Capital | **Capital Stocks and Flows** | **Outputs and Outcomes** | **Trade-offs**

Capital

Human Capital

Capital Stocks and Flows

Metrics	Stocks¹	Flows²	
Colleagues (#): Total colleague count at year-end	177 colleagues, as of 31 December 2023 **Expansion of workforce to match business' growth**	101 colleagues, as of 31 December 2022	↑
Employee Engagement survey score (%): Percentage score from GIB AM's Culture Survey	87% Employee Engagement survey score in 2023 **Cultural factors driving increase**	75% Employee Engagement survey score in 2022	↑
Diversity metrics (%): Percentage score assessing GIB AM's workforce diversity, including factors like gender and ethnicity	**31 December 2023:** 38% female representation in the workforce 55% female candidates at interview stages (on average) 25% colleagues from ethnic minority backgrounds (25%) 4% neurodiversity disclosure rate 4 internships for individuals from socio-economically disadvantaged backgrounds **Expansion of diversity metrics in 2023**	**31 December 2022:** N/A 44% female candidates at interview stages (on average) N/A 3% disclosure rate for challenges (e.g. mental for physical) 3 internships for individuals from socio-economically disadvantaged backgrounds	↑
Spend on training and skills development (USD): Total annual investment in technology, software, and infrastructure	$370,000 spent on training and development in 2023 **Reflecting expansion of workforce and business growth**	$273,000 spent on training and development in 2022	↑

Outputs and Outcomes

Outputs

- ✓ Workforce growth signifying wider organisational expansion
- ✓ Indication of higher satisfaction levels among colleagues
- ✓ 50/50 gender split in workforce
- ✓ Enhanced gender diversity in recruitment process
- ✓ Introduction and achievement of ethnic diversity targets
- ✓ Empowering socially-economically disadvantaged individuals with internship opportunities

Outcomes

- ➢ Enhanced organisational capacity and capabilities
- ➢ Positive organisational culture
- ➢ Progress on Equity, Diversity and Inclusion initiatives
- ➢ Strengthening reputation and brand

Trade-offs

Financial Capital
- Current high investment affects financial capital but is essential for long-term asset-raising targets

Social and Relationship Capital
- Enhances company culture and stakeholder engagement, potentially boosting brand value and client attraction

Manufactured Capital
- Enhancing human capital directly contributes to the advancement of manufactured capital, focused on the role that skilled, knowledgeable workers have in driving innovation

Intellectual Capital
- Development of skills and knowledge contributes to intellectual capital, enhancing the company's competitive position.

Stakeholders impacted

5.1.3 Social and Relationship Capital

Capital | **Capital Stocks and Flows** | **Outputs and Outcomes** | **Trade-offs**

Capital

Social and Relationship Capital

Capital Stocks and Flows

Metrics	Stocks¹	Flows²	
Client volume: Qualitative assessment of the growth in client volume at year-end	Increased client volume for GIB AM in 2023, relative to 2022 **Business growth and expansion of market reach**	Increased client volume for GIB AM in 2023, relative to 2022	↑
Client feedback: Qualitative summary of client feedback at year-end	Clients of the Treasury and Banking business consistently provided excellent feedback during regular service reviews **High-quality service continued to generate excellent client feedback in 2023**	Clients of the Treasury and Banking business consistently provided excellent feedback during regular service reviews	↑
Memberships and partnerships (#): Total number of memberships and partnerships participated in at year-end	Participated in 15 memberships and partnerships, as of 31 December 2023 **Business growth and commitment to collaboration**	Participated in 9 memberships and partnerships, as of 31 December 2022	↑
Volunteering initiatives (#): Total number of corporate-sponsored volunteering initiatives conducted	Participated in 4 volunteering initiatives, as of 31 December 2023 **Focused on a smaller number of high-quality initiatives in 2023**	Participated in 9 volunteering initiatives, as of 31 December 2022	↓
Sustainability disclosures (%): Percentage of scheduled sustainability disclosures completed at year-end	100% completion rate for sustainability disclosures, as of 31 December 2023	100% completion rate for sustainability disclosures, as of 31 December 2022	↑

Outputs and Outcomes

Outputs

- ✓ Sustained, excellent feedback from Treasury and Banking clients on the business
- ✓ Fostering progress through partnership and membership participation
- ✓ Direct aid/assistance/support provided to communities through volunteering

Outcomes

- ➢ Strengthening Treasury and Banking client relationships
- ➢ Network Expansion
- ➢ Industry Influence
- ➢ Knowledge Enhancement
- ➢ Strengthening ties between GIB AM and the community, nurturing a socially responsible culture in the workplace
- ➢ Increase in regulator confidence

Trade-offs

Financial Capital
- Ongoing investment, expected to increase financial capital in the long term as the brand expands and attracts clients

Human Capital
- Boosts employee engagement and organisational culture.

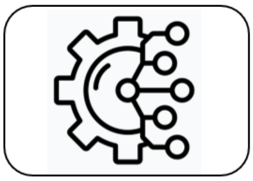
Natural Capital
- Improved stakeholder relations may lead to greater focus on environmental sustainability, benefiting natural capital.

Stakeholders impacted

5.1.4 Manufactured Capital

Capital | **Capital Stocks and Flows** | **Outputs and Outcomes** | **Trade-offs**

Manufactured Capital



Metrics	Stocks[1]	Flows[2]	
Investment strategies launched (#): Total number of new investment strategies and funds launched at year-end	1 new UCITS fund launched, as of 31 December 2023 **Decrease in UCITS funds launches, yet milestone achieved: all 4 flagship funds were launched by 2023**	2 new UCITS funds launched, as of December 2022	↑
Spend on technology and infrastructure (USD mm): Total investment on technology, software and infrastructure	$8.7mn spent on technology and infrastructure, as of 31 December 2023 **Matching business expansion**	$7.8mn spent on technology and infrastructure, as of 31 December 2023	↑
Change Demand projects completed (#): Number of completed projects addressing change demand requirements	Completed 8 Change Demand projects, as of 31 December 2023 **Target achieved**	Completed 10 Change Demand projects, as of 31 December 2022	↑

Outputs

- ✓ Launch of a new fund, The European Focus Fund , and subsequent completion of the Asset Management business' 4 flagship funds
- ✓ Asset and regional diversification in Asset Management's product suite

Outcomes

- ➢ Investment risk significantly reduced through diversification across asset classes
- ➢ Consistent and stable returns can be realised through a balanced allocation between equities and fixed income
- ➢ Diversification can bolster Asset Management's robustness and resilience against market fluctuations and economic instability

Trade-offs

Financial Capital
- Immediate financial impact but supports long-term scaling of the business.

Social and Relationship Capital
- Improved technological infrastructure can enhance stakeholder engagement and service delivery.

Natural Capital
- Enhances environmental sustainability and intellectual resource management, contributing to long-term financial and reputational gains.

Intellectual Capital
- Enhances environmental sustainability and intellectual resource management, contributing to long-term financial and reputational gains.

Stakeholders impacted

5.1.5 Natural Capital

Capitals | **Capital Stocks and Flows** | **Outputs and Outcomes** | **Trade-offs**

Natural Capital

Metrics	Stocks[1]	Flows[2]	
Sustainability-related UCITS fund classifications : Number of UCITS funds classified under EU SFDR Articles	4 UCITS funds comply with SFDR and are classified as Article 8 or Article 9, as of 31 December 2023 **1 new Article 8 UCITS fund launched in 2023**	3 UCITS funds comply with SFDR and are classified as Article 8 or Article 9, as of 31 December 2022	↑
Operational carbon footprint: Total amount of greenhouse gas emissions directly and indirectly caused by GIB AM's operations (see separate section)			

Outputs

- ✓ Alignment of all 4 flagship funds with EU SFDR Regulation
- ✓ Attainment of Article 8 and 9 classifications
- ✓ Compliance with sustainability regulation

Outcomes

- ➢ Enhanced brand credibility
- ➢ Enhanced regulator credibility

Trade-offs

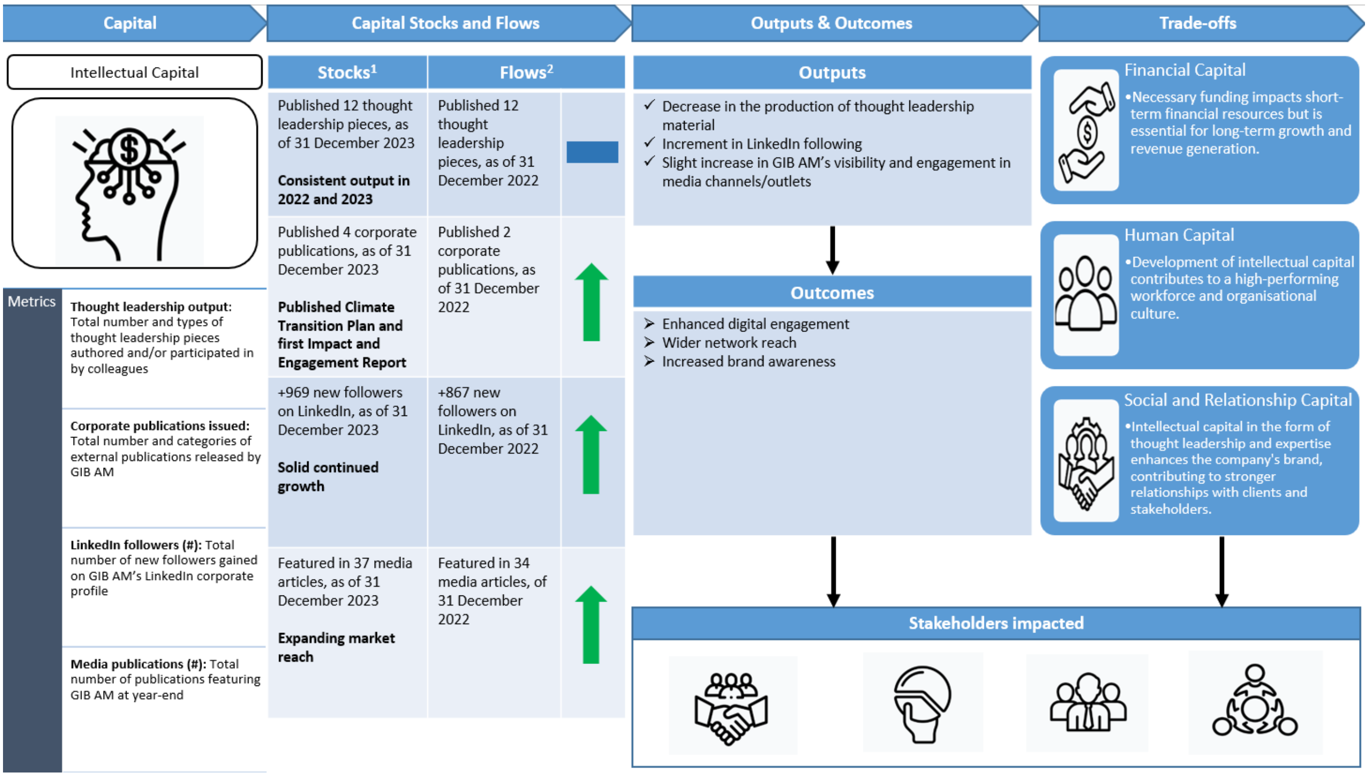
Financial Capital
- Requires investment for offsets and management, but expected to improve stakeholder relations and potentially reduce future environmental liabilities.

Human Capital
- Investment in environmental initiatives fosters a culture of sustainability within the organisation, enhancing human capital.

Social and Relationship Capital
- Enhances brand reputation, aligning with stakeholder values and expectations.

Stakeholders impacted

5.1.6 Intellectual Capital



5.2 Products, Services, Markets & Clients

Products & Services

Treasury and Banking

GIB AM's Treasury and Banking business provides Treasury services to institutional clients. The team's expertise in balance sheet optimisation drives revenue generation in accordance with capital adequacy and leverage ratios to ensure financial resilience.

Core services/activities:
1. Placements with Central Bank: Generating revenue through interest-earning cash placements with central banks, enabling efficient liquidity management and adherence to reserve requirements
2. Placements with Financial Institutions: Generating revenue through interest-earning cash placements with investment grade financial institutions, enabling efficient liquidity management while fully / partially hedging interest rate risks
3. Money Market Instruments: Investing in money market securities to generate revenue through the collection of interest income, or engaging in reverse repurchase agreements
4. Securities Investment: Investing in other securities for revenue generation, risk diversification, hedging against market fluctuation, yield enhancement, capital adequacy management, facilitating effective liquidity management
5. Foreign Exchange Services: Provision of a comprehensive foreign exchange service covering major and exotic currencies
6. Letters of Credit: Advising on Letters of Credit to counterparties in international trade transactions

Asset Management

GIB Asset Management specialises in discretionary portfolio management, providing clients with integrated, high-quality investment products that deliver financial performance through sustainable investments.
As of 31 December 2023, GIB Asset Management has four flagship funds. All funds adhere to the EU's Sustainable Finance Disclosure Regulation (SFDR) and are classified as either Article 8 or Article 9 under the Regulation.

GIB AM Sustainable World Fund

Founding Principal: The greatest profits belong to the companies that can provide solutions to the world's greatest challenges

Differentiation: Investment process defines and tracks a number of mega and sub-themes

Process: Companies are identified and assessed to determine their potential to deliver sustainable financial returns through their positive impact on the sub-themes

GIB AM Sustainable World Corporate Bond Fund

Founding Principal: Delivering compelling long-term returns by investing in the most resilient businesses that are addressing the world's greatest challenges

Differentiation: Relatively few fixed income strategies can deliver strong returns and the opportunity to invest sustainably

Process: Framed by the same approach to global themes as Sustainable World Global Equity Fund, but expressed through the corporate bond market

GIB AM Emerging Markets Active Engagement Fund

Founding Principal: A differentiated, core, active Emerging Market strategy. Re-defining what true active management means

Differentiation: Incorporate the tool of engagement across the portfolio – working alongside portfolio companies - to drive a change in company characteristics, unlocking hidden value in the process

Process: The focus is on operational, strategic capital allocation and engagement to improve the compounding power of a company; and governance alongside material social and environmental improvements to reduce the implied cost of capital, driving a re-rating in valuations

GIB AM European Focus Fund

Founding Principal: Long-run stock market returns are driven by a small number of exceptional companies. The strategy aims to identify these businesses and own them over a meaningful timeframe

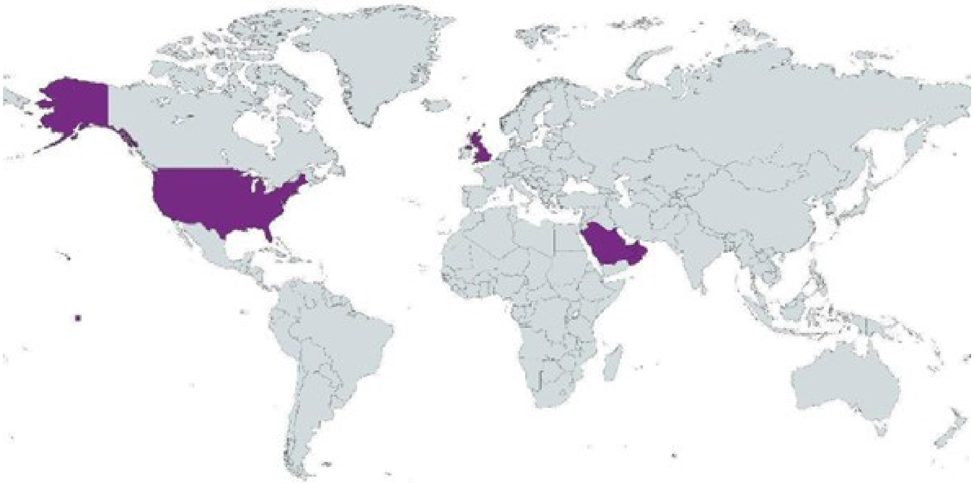
Differentiation: Highly focused on understanding corporate culture as a key source of competitive advantage when assessing a business's potential and sustainability

Process: The focus is on:
- Compounders: Long-term growth in per share intrinsic value, generated from consistently above average returns on capital employed (ROCE) allied to strong reinvestment opportunities
- Quality value: Identifying unanticipated inflection points in a company's ROCE and/or growth rate

5.3 Markets and clients

Treasury and Banking

GIB AM's Treasury and Banking serves institutional clients requiring specialised Treasury services and access to global markets.

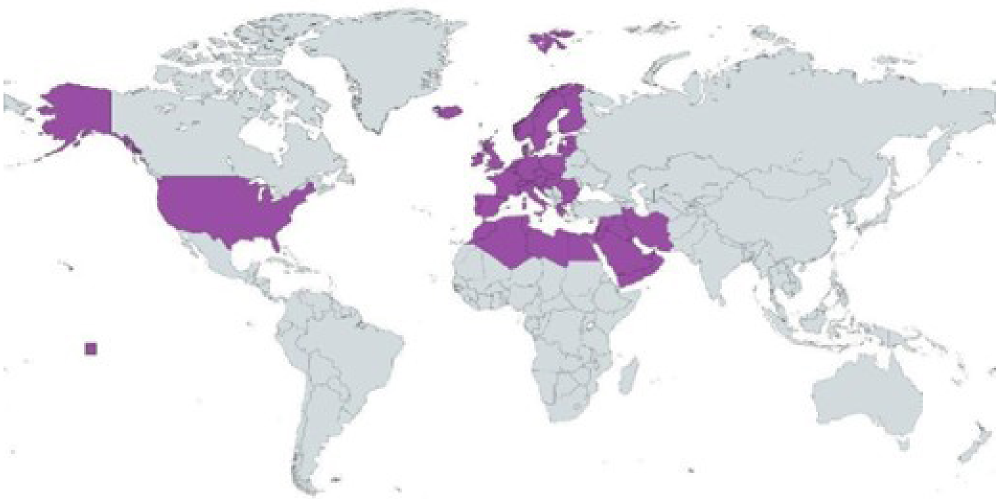


GIB AM is focused on identifying new client prospects for the Treasury and Banking business, aware of the unique challenges our niche business model presents in this pursuit.

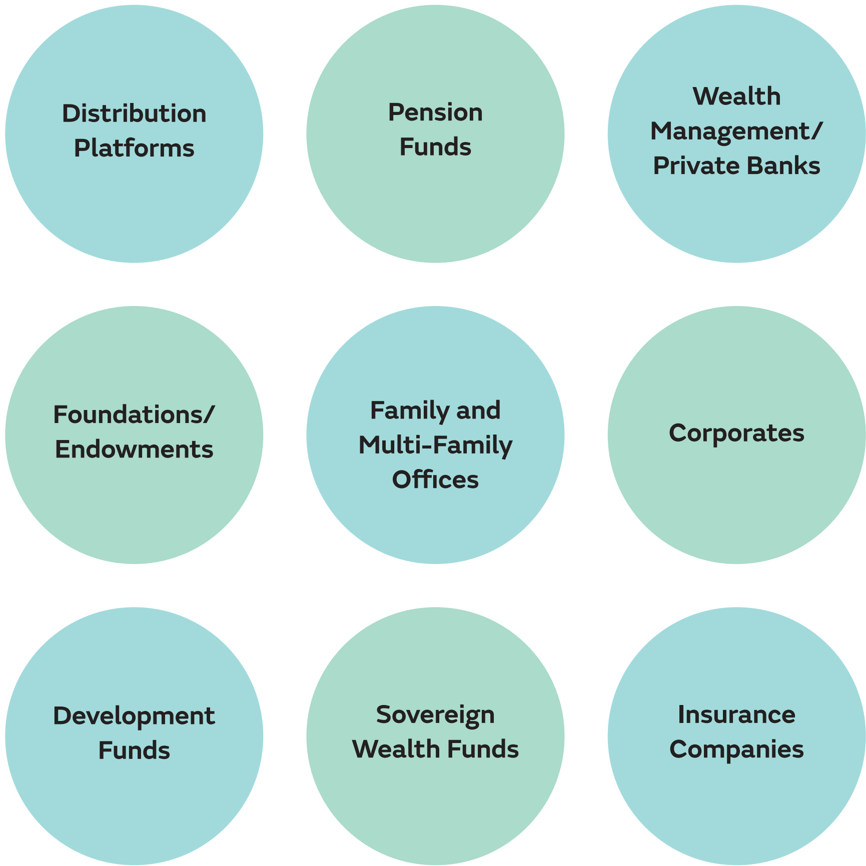
Asset Management

GIB Asset Management focuses on the MENA region and Europe, including the United Kingdom, as its two primary markets.

In 2024, GIB Asset Management intends to enter the United States as a secondary market, aligning with our strategic objective of enhancing asset raising by targeting markets with a demand for our product suite. This strategic expansion aims to deliver integrated, sustainable discretionary investment services to a broad yet focused set of institutional clients, who are more likely to invest with us.



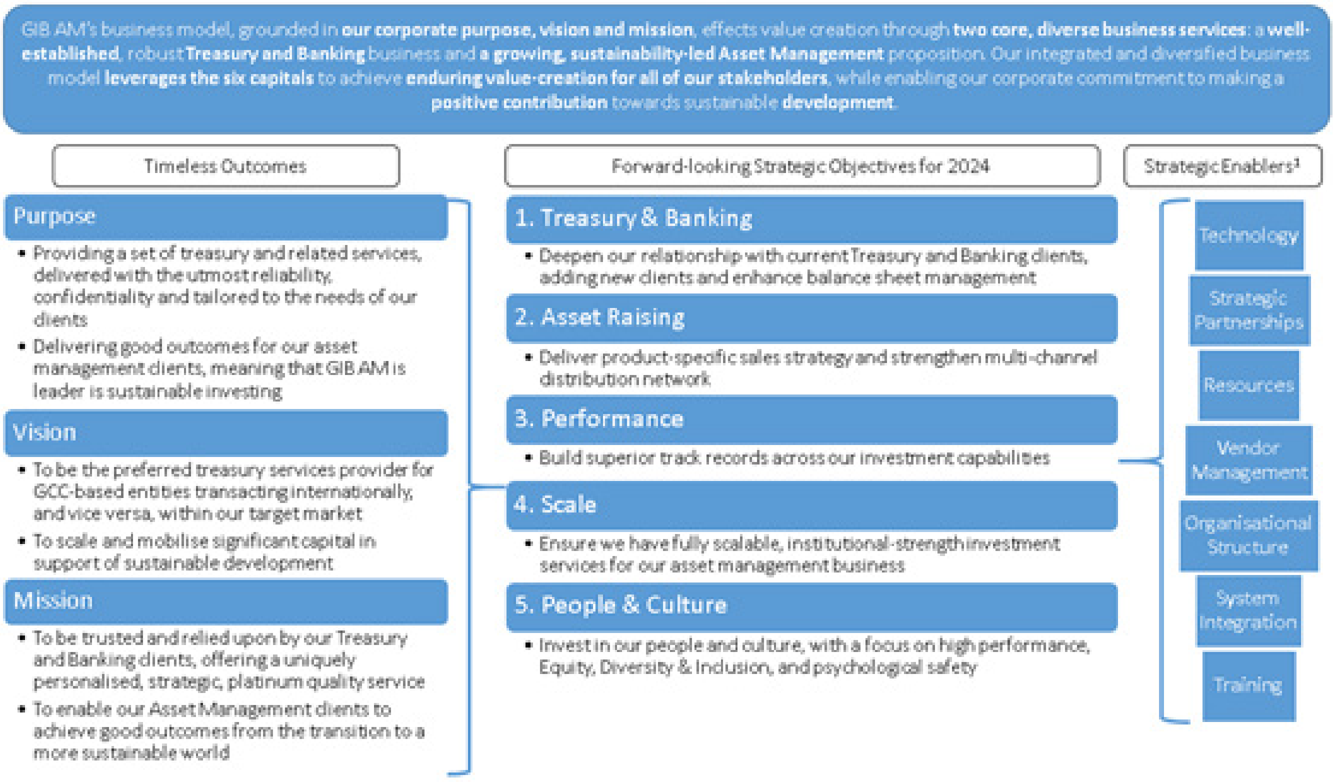
GIB Asset Management's institutional client targets



6. Strategy

This section explains how GIB AM aims to create value for its stakeholders through its strategy.

6.1 Strategic Objectives



6.1.1 "Strategic Enablers" are defined by GIB AM as value-unlocking factors that will support the organisation to achieve its strategic objectives and long-term outcomes.

The 2023 strategic objectives largely mirror those set for 2024, reflecting a consistent strategic direction. The updates for 2024 include an enhanced focus on building distribution partnerships, delivering customised, product-specific sales strategies (Strategic Objective 2: Asset Raising), and cultivating a high-performance culture (Strategic Objective 3: People & Culture). Beyond these specific updates, the strategic objectives remain consistent from 2023 to 2024.

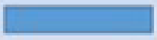
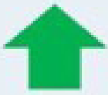
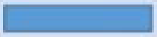
GIB AM revisits its strategic objectives each year, monitoring progress towards the fulfilment of long- term goals. The annual review process enables the organisation to respond to internal changes and the dynamic macroeconomic, legal and regulatory, commercial, social and geopolitical landscapes that can affect GIB AM. GIB AM is coming to the end of its previous 5-year strategic plan, and hence, at present, forward looking goals are for the short rather than medium term.

6.2 Key Performance Indicators (KPIs)

The selected Key Performance Indicators (KPIs) are designed to measure the success of GIB AM's short- term, annually-set strategic objectives. These KPIs align with the yearly cycle of this report, making them well-suited for assessing strategic progress and the value created through GIB AM's strategy. None of the KPIs currently receive external assurance.

	Strategic Objective	Unit	Strategic Enablers	2023 Actual	2022 Actual (Target)	2021 Actual (Target)	Target 2023
Metrics	**Treasury and Banking**						
KPI 1	Total number of clients	#	Resources, Technology, Organisational Structure (Middle Office)	Redacted	Redacted	Redacted	Redacted 60
KPI 3	Total gross income	USD MM		102.06	65.2 (42.9)	33.8 (36.7)	
Metrics	**Asset Raising**						
KPI 9	Source of growth by geography	%	Resources, Strategic Partnerships, Technology, System Integration, Training	100% Europe/0% GCC (50% Europe/50% GCC)	N/A	N/A	50% Europe/50% GCC
KPI 10	Total number of investment strategies launched			4 (5)	6 (5)		1
Metrics	**Investment Performance (Asset Management)**						
KPI 1	Proportion of investment portfolios outperforming their benchmark	%	Resources, Technology, Organisational Structure (Middle Office), System Integration	New performance metrics for 2023 below	60% (75%)	67% (75%)	New performance metrics for 2023 below
KPI 2	Investment performance against relevant benchmarks (over 1-quarter, 3-years, 5-years, and since inception) (% of funds and mandates)	%		88% - 1-quarter, 71% - 1 year, 75% - 3-years 75% - 5-years, 63% - since inception	N/A	N/A	75%
KPI 3	Investment performance against peers (over 1-quarter, 3-years, 5-years, and since inception) (% of funds and mandates)	%		50% - 1-quarter, 67% - 1 year, 100% - since inception	N/A	N/A	75%
Metrics	**Scale**						
KPI 5	Total expenses	USD MM	Resources, Technology, Organisational Structure (Middle Office), Vendor Management, System Integration, Training	54.7	53.1 (50.6)	45.28 (48.9)	52.4
KPI 6	Cost-to-income ratio	%		54%	N/A	N/A	80%
Metrics	**People & Culture**						
KPI 2	Staff with personal development plans	%	Resources, Technology, Training	52%	N/A	N/A	95%
KPI 3	% of female colleagues	%		38%	33% (N/A)	N/A	33%
KPI 4	% of female colleagues in interview stage of recruitment	%		55%	44% (50%)	N/A	51%
KPI 5	% of colleagues ethnic minorities	%		25%	N/A	N/A	25%
KPI 6	% disclosure rate of neurodiversity or where adjustments needed	%		4%		N/A	5%
KPI 7	Number of internships supporting individuals from socio-economically disadvantaged backgrounds	#			N/A	N/A	3

6.3 Resource Allocation

Strategic Objective	Resource Allocation[1]	Commentary
1. Treasury & Banking. Deepen our relationship with current Treasury and Banking clients, adding new clients and enhance balance sheet management		Resources allocated to Treasury and Banking will continue at a similar level
2. Asset Raising. Deliver product-specific sales strategy and strengthen multi-channel distribution network		We intend to expand our Business Development team, providing them with the necessary resources to deliver this strategic objective in 2024.
3. Performance. Build superior track records across our investment capabilities		We will increase our resource allocation towards achieving the Performance strategic objective. This will mainly support the introduction of a new asset management technology solution to support the scaling of the business
4. Scale. Ensure we have fully scalable, institutional-strength investment services for our asset management business		Resource allocation towards our Scale strategic objective will increase, particularly for key projects planned in 2024 intended to advance this objective
5. People & Culture. Invest in our people and culture, with a focus on high performance, Equity, Diversity & Inclusion, and psychological safety		Resource allocation towards People and Culture will continue at levels similar to 2023

[1] The size of the arrows represents the relative scale of additional resource allocated towards each strategic objective. Otherwise, resources are expected to be largely unchanged.

7. Governance

7.1 Approach to governance

Our governance principles:

- Accountability
- Responsibility
- Transparency
- Fairness

Our governance

- Clearly defined roles and responsibilities
- Executable and auditable decision making processes
- Enforceable discipline
- Committees taking collegial decisions

7.2 Key Board focus areas and decisions in 2023

The Board prioritised six areas in 2023:

1. Navigating the challenging market conditions for the Treasury business
As discussed in section 4, monetary policy, geopolitical volatility and banking stresses made for challenging market conditions in 2023. The Board prioritised oversight of the Treasury business, in particular ensuring that the business continued to act within risk appetite and provide excellent service levels to clients.

2. Growing assets under management in the AM businesses' new active strategies and funds
After the launch of the European Equity Focus Fund early in the year, the Board spent time in discussing how to support and accelerate business development for the asset management business. Discussions covered the client-market fit of the product set as well as probing business development colleagues on their approach to asset-raising and scrutinising whether the right conditions were in place, such as resources.

3. Continued focus on sustainability
GIB is a sustainability-led business. Board discussions focused on how to leverage the team's significant experience to support commercial goals, as well as reviewing the various initiatives around sustainability of GIB AM's operations. In addition, the Board reviewed how GIB AM's expertise was being utilised for the benefit of the entire

group, including raising its profile in the Middle East region and elsewhere, in relation to sustainability topics.

4. Ensuring a robust and effective risk and control system

The Board, with support from the Audit and Risk Oversight Committee (AROC) sought to ensure a robust and effective system of risk management and controls. Within that, the main priority areas for discussion were:

- Enhancements to financial reporting. A regular programme of work enhancing the financial controls process took place in 2023, and the progress against the items agreed was a regular topic for discussion.
- Regulatory reporting. Following the PRA's "Dear CEO" letter on regulatory reporting, GIB AM undertook a significant programme of enhancements to its regulatory reporting governance and processes. This included the preparation of new policies and procedures as well as automation projects to increase efficiency and to reduce the likelihood of errors.
- Prudential planning. Scenario assumptions were updated to the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) assessments, and there were several scenario testing challenge sessions with the Audit and Risk Oversight Committee (AROC).
- Embedding the co-sourced internal audit model. The new co-sourced audit model was generally working well, but this was a topic for discussion at the AROC.
- Ensuring that all our complex spreadsheets used for high risk activities were checked against a standard set of criteria and that all very high and high risk models were formally validated.

5. Culture and conduct

The Board held several discussions around ensuring an effective culture and high levels of conduct. At AROC, this focused on the results of the 3rd culture and conduct audit, the final instalment of a 3-year in-depth audit programme. At the Nomination and Remuneration Committee (NRC), it focused on reviewing material risk-taker behaviours, and how to link culture and conduct indicators effectively to executive remuneration. As well as overseeing these areas, Board discussions covered staff engagement more generally and the programme of cultural activities across the organisation.

6. Board and Executive succession planning

Succession planning was a priority topic for the Board during 2023. This focused on planning for the replacements of long-tenured non-executive Directors. Questions arose about the optimal number of Board members, and how to ensure appropriate handover as long-standing Directors rotated off the Board.

7.3 Summary of topics covered

	Key Issues	Routine Matters
Noted		Declarations made by directors regarding their outside interests and potential conflicts The quarterly financial report and forecast presented by the Chief Financial Officer (CFO). The reports on management's performance against the financial targets and other key indicators Treasury and banking business performance Investment process and performance Sustainability performance and initiatives Support area performance, including HR, Technology, Operations, Risk and Compliance
Discussed	GIB AM's strategy and business plan Management updates and action to meet the strategic plans Culture GIB AM's stakeholder management framework and approach Collaboration with other parts of the GIB Group and the shareholder perspective Management's response to the geopolitical uncertainty and associated impacts of financial and client markets Risk appetite statement and associated issues, such as lessons learnt from the Credit Suisse and Silicon Valley Bank failures Regulatory reporting GIB AM's legacy defined benefit pension scheme Investment product health checks Consumer duty requirements Key and emerging risks and opportunities and external trends	Business Development activities Board Evaluation Board skills and succession planning, especially approach to long-tenured directors Remuneration and incentive issues
Approved	GIB AM's financial budget and forecasts, with appropriate allocation of resources Management performance metrics Climate Transition Plan Board Diversity Statement and targets	Finance, Governance, Risk and Compliance- related Frameworks, policies and statements Actions from the Board Evaluation Director re-appointments

7.4 Board composition

Table 1: Board composition

Non-Executive Director	Classification	Date of Joining Board	Committee Membership
Abdulaziz Al-Helaissi Chair	Non-independent Non-Executive	July 2016	
Gary Withers Senior Independent Director	Independent Non-Executive	December 2018	Board Audit & Risk Oversight Committee (Chair) Board Nomination and Remuneration Committee
John Xefos	Non-Independent Non-Executive	May 2012	
Turki Al-Malik	Independent Non-Executive	March 2016	
Abdulla Al Zamil	Non-Independent Non-Executive	September 2022[5]	
Miriam Greenwood	Independent Non-Executive	September 2020	Board Audit & Risk Oversight Committee Board Nomination and Remuneration Committee (Chair)
Soraya Chabarek	Independent Non-Executive	September 2022	Board Audit & Risk Oversight Committee Board Nomination and Remuneration Committee
Katherine Garrett-Cox	Executive	October 2017	
Ralph Campbell	Executive	January 2019	

7.4.1 Board Independence

Four of our nine board members are Independent Non- Executives, Turki Al-Malik, Gary Withers, Miriam Greenwood and Soraya Chabarek.

7.4.2 Board skills and experience

In addition to reviewing the composition of our Board from a diversity perspective, we also look to ensure that we have a Board with the right skills, knowledge and experience to enhance their effectiveness and ensure they can carry out their duties. The Board determines the required composition of skills, factoring in the rapidly changing financial and regulatory environment and any changes in GIB (UK)'s own long term strategy. Using this determination of skills required for the Board and Board Committees, a skills gap analysis exercise is conducted annually for all individual directors. From the results we look to identify any areas where there may be skills lost as a result of a resignation or where an area of improvement is identified. Using the results of the analysis, which is reviewed by the Board, a training plan is developed to meet these needs for the following year. In addition, before commencing recruitment, the Nomination and Remuneration Committee (NRC) will have discussed the requirement for a new or replacement independent Non-Executive Director. This will involve discussions with the

[5]Abdulla Al-Zamil re-joined the board in September 2022.

Executive Directors for their input on skills and experience required for this role. The NRC will consider the Board Skills Matrix, the priorities of the business plan, succession planning, risk and control and what is required in terms of both skills set and experience for this role. In 2023 the Board agreed to extend the tenure of Miriam Greenwood for an additional three year term to support continuity of the Nomination and Remuneration Committee Chair and the skills and knowledge that she contributes to the Board.

7.4.3 Board & Executive diversity

As set out in our Equal Opportunities Policy, the Bank believes that a truly diverse workforce, combined with an inclusive culture, is key to maximising business effectiveness. Therefore, we aim to select, recruit, develop and promote talented and engaged people, and encourage the use of their wide range of skills, experiences and perspectives to drive our business forward.

GIB AM has set the following quantitative targets, in line with the FCA's 2022 Policy Statement:

- At least 40% of the board are women (including those self-identifying);
- At least one of the senior Board positions[6] is a woman;
- At least one member of the Board is from a non-White ethnic minority background.

In 2023, women made up 30% of the Board, one person below the 40% target. One of the senior board positions was a woman (the CEO), in line with the target. The Board met its target around ethnic diversity, although a high proportion of individuals chose 'prefer not to say' in their declaration. At the Executive Management level, although there was broadly equal gender representation (44% male, 56% female), the vast majority of the group self-declared as White British or other White.

Table 2: Board and Executive Management sex/gender representation (data as at 31 December 2023)

	Number of Board members (percentage)	Number of senior positions on the Board (percentage)	Number of Executive Management (percentage)
Men	7 (70%)	3 (75%)	4 (44%)
Women	3 (30%)	1 (25%)	5 (56%)
Other/not specified/prefer not to say	-	-	-

Table 3: Board and Executive Management ethnicity representation (data as at 31 December 2023)

	Number of Board members (percentage)	Number of senior positions on the Board (percentage)	Number of Executive Management (percentage)
White British or other White (including minority-white groups)	4 (40%)	4 (80%)	8 (89%)
Mixed/multiple ethnic groups	1 (10%)	-	0 (0%)
Asian/Asian British	0 (0%)	-	0 (0%)

[6] Chair, CEO, SID, CFO

7.5 Board structure

The Board has established two oversight committees chaired by Non-Executive directors to support it.

Board of Directors

Audit and Risk Oversight Committee | **Nomination and Remuneration Committee**

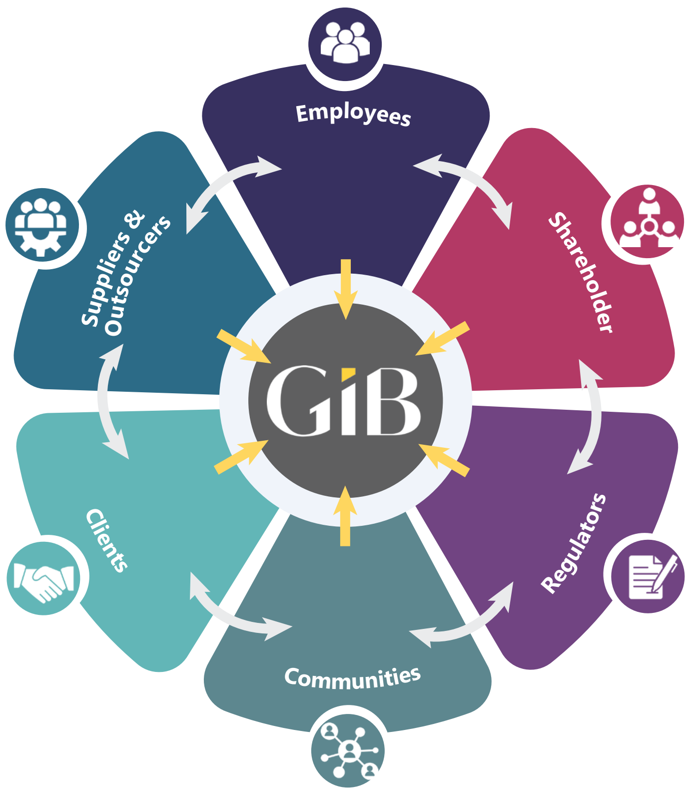
7.6 Board evaluation

The effectiveness of the Board as a whole, and the performance of individual directors, is reviewed annually. All recommendations are considered by the Board, an action plan is implemented and the outcome is reviewed.

The 2023 Board evaluation commenced in late 2023 and is expected to conclude in 2024 Q1. It is internally facilitated, following the externally-facilitated review in 2022 (as part of its 3-year cycle of externally facilitated reviews).

7.7 Stakeholders

A key enabler for the Bank to be successful over the long term is to build and maintain successful relationships with a wide range of stakeholders.



Clients

Description

The quality of our relationships with our clients was assessed by taking into account the services provided to them, and performance against expectations. Extremely high levels of satisfaction were seen in our Treasury & banking clients. Feedback from asset management clients was more mixed, in part reflecting the challenging market conditions.

Treasury Overall: Excellent
AM Overall: Good

Their needs and expectations

- Delivery in line with their requirements
- Innovative products that meet their needs today and into the future
- Minimal operational errors / issues
- Responsiveness to issues and queries
- Support for their training requirements, including with respect to ESG matters

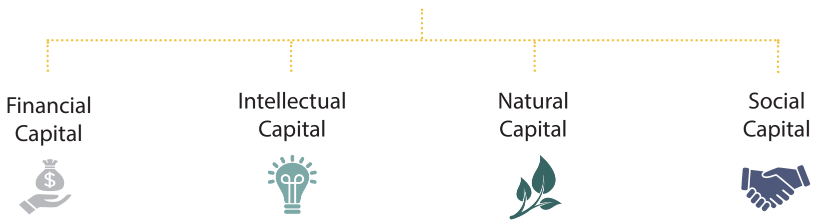
Ways we engage

- Regular discussions & feedback
- Regular written updates
- Formal complaints policy and procedure in place (Compliance Manual)
- All engagement is tailored to the individual client's needs, with a relationship manager in place to oversee the interactions (e.g. unique reporting provided to several clients, Link system for Treasury clients designed for them individually).

Metrics

- Client feedback is gathered in qualitative form only. This remained excellent in 2023, and we will continue to focus on delivering good outcomes for clients over 2024 consistent with the Consumer Duty requirements (see section on Regulators)
- KPI for the time taken to respond to client requests, consistent with our mission of delivering high-quality bespoke services to our clients
- Client and prospect engagements are tracked on a regular basis
- Data collection on the number of research article downloads and webinar views

Capitals Impacted



Employees

Description

The quality of relationships with employees was measured through employee engagement responses, the volume of training and support provided, staff activities such as mental health and well-being initiatives, volunteering, social and community activities, and culture & conduct / ethics indicators. Employee attrition rate was also considered, as was health & safety. We aim to be a responsible and enlightened employer with regards to compensation, benefits and terms and conditions of employment.

Overall: Excellent

Their needs and expectations

- Opportunities to have a positive impact for people and the planet
- Investment in skills and development
- Challenging work, with opportunities for development and progression
- Appropriate culture, including ones that embeds diversity & inclusion and ethical considerations (see Code of Conduct)
- Fair remuneration, effective performance management and recognition
- Fair treatment of non-employees (e.g. contractors) relative to employees

Ways we engage

- Regular all staff meetings for the whole of GIB AM and written communication
- Colleague Representative Group
- Diversity & Inclusion forum
- Support for individuals through personal development plan
- HR processes (e.g. exit interviews, grievance system)
- Town halls to present business plan and meet with the Board.
- Inviting employees to present to the Board or it committees on a Board Paper for which they are responsible
- Anonymous whistleblowing hotline, and facility to offer anonymous feedback
- Authors of Board and Committee papers are asked to consider culture and conduct implications of their proposal / issue
- We regularly ask for colleague feedback on how they would like to be engaged and introduce new initiatives as a result. This includes distilling information into manageable amounts for colleagues and using multiple communication methods (e.g. written as well as oral, recording key sessions for people unable to make the times)

Metrics

- Surveys data, including the Staff Engagement survey and Culture survey
- Tracking of internal communication metrics e.g. communication emails opened

Capitals Impacted

Intellectual Capital

Human Capital

Social Capital

Shareholder

Description
GIB AM has a sole shareholder – the parent – and the quality of the relationship is assessed through regular interaction and feedback.

Overall: Excellent

Their needs and expectations
- Financial returns, attractive and sustainable growth strategy
- See the positive results from past investment in building the asset management business
- Transparent, balanced, clear, timely reporting and disclosure
- Strong and experienced management

Ways we engage
- Strong links at management and working level through Bank Committees and informal discussions
- Broad Alignment with Parent risk appetite
- Financials consolidation
- Engagement through financial audit process to
- ensure accurate, timely appropriate financial disclosures Outsourcing and SLA arrangements between Parent and GIB AM
- Alignment between group and GIB AM policies (incl. Code of Conduct), where appropriate
- Annual variable remuneration approved at the Parent level
- Our approach to engagement is driven by the Parent, and so designed with its needs in mind

Metrics
- Range of metrics shared on a regular basis relating to performance, risk profile and GIB AM strategy

Capitals Impacted

Financial
Capital

Employees

Description

Regulators play an important role in safeguarding the firm through their supervision and guidance, helping us to build resilience. With their objective of reducing systemic risk, they make our interbank transactions safer, support the fight against money laundering and terrorism financing and therefore help us preserve financial capital. The quality of our relationship with regulators is based on feedback from our engagement with them, and our ability to deliver against regulatory expectations.

Overall: Good

Their needs and expectations

- Principle 11/Fundamental Rule 7 underpins a firm's dealings with its regulator(s), the general principle being that a firm must be open and co- operative and disclose matters of which the regulators would expect notice. Specific rules and guidance in the FCA and PRA Handbooks articulate when particular issues must be notified, but in most instances a firm will need to exercise judgement as to whether and when notification is required
- The FCA has increased its focus on Consumer Duty – delivering good outcomes for clients
- Demonstrating GIB AM's compliance with the EU's Sustainability Financial Disclosure Regulation (SFDR) was a priority

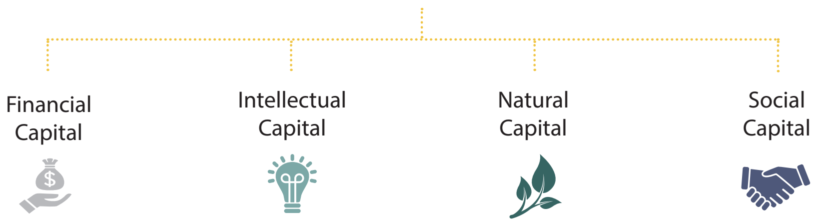
Ways we engage

- Regular meetings
- Regular data / information submissions
- Receiving and attending visits on specific topics
- Participation in working groups, such as the Climate Financial Risk Forum
- Receipt of information / guidance
- Regular/periodic reporting to PRA, FCA and SEC, and individuals approvals and certification under SMCR
- Our approach to engagement is driven by the regulators' requirements, and so is designed according to their needs
- The relationship with the Central Bank of Ireland is managed via our fund platform provider

Metrics

- Regular/periodic reporting to PRA, FCA and SEC, and individuals approvals and certification under SMCR
- Our approach to engagement is driven by the regulators' requirements, as so is designed according to their needs
- The relationship with the Central Bank of Ireland is managed via our fund platform provider

Capitals Impacted



Suppliers & Outsourced providers

Description

The quality of our relationship with our Material Third Parties and Outsource providers is governed through Service Level Agreements, (where in place), and assessed as well through Key Performance Indicators, annual risk analysis and ESG assessments where applicable. In addition, we also have in place formal and informal feedback mechanisms with each party.

Overall: Good

Their needs and expectations

- Suppliers aim to provide us with products and services that meet our requirements, whilst also supporting their own stakeholders

Ways we engage

- All Third Party and Outsource suppliers have an ExCo and business owner who manages the relationship on an on-going basis. These are further categorised into Material or Non- material, in line with regulatory guidelines
- The engagement approach with our suppliers and outsourced partners reflects a combination of our respective needs and preferred operating models. For example, with some suppliers, GIB AM is the 'taker' of their terms and conditions; whereas for other suppliers it is possible to use GIB AM's usual contracting approach. Given our categorization of suppliers, we aim to ensure our approach is appropriate and proportionate, and therefore best meets our mutual needs

Metrics

- The Business Risk Committee and Audit and Risk Oversight Committee collect and monitor a full set of KPIs relating to outsourcing to the Group
- ESG assessments. As part of our supplier Code of Conduct, we assess suppliers who meet certain thresholds on their ESG credentials, and have a floor in place whereby low-scoring entities would not be on-boarded

Capitals Impacted

Communities

Description

The quality of our relationships with our communities is assessed through feedback and engagement levels with those organisations.

Overall: Good

Their needs and expectations

- GIB AM is part of the local community in the City of London, a member of several industry bodies, and part of an international community that seeks to encourage the delivery of the Sustainable Development Goals
- Collaboration with multi-stakeholder groups typically focus on specific goals (e.g. net zero). These are selected to align with our business and investment priorities and generally involve discussions, surveys, inputs to consultations etc. Feedback is usually two-way
- We engage with local communities through a set of targeted corporate social responsibility (CSR) initiatives, including staff volunteering schemes. We see CSR as part of our obligation to the communities in which we operate; we want to be a good corporate citizen and have a positive impact in the society while improving quality of life for the communities in which we operate
- As well as any specific charitable activities, we support charities through our matched funding scheme, whereby individuals raising money may ask GIB AM to match their fundraising

Ways we engage

- For memberships, we have a lead contact point and involve colleagues as relevant
- For topic groups, engagement varies depending on the specific goals, but the responsible individuals are nominated by the relevant ExCo member
- A colleague volunteering team runs GIB AM's volunteering activities; we aim to gather feedback after each session / activity
- HR leads on recruitment and internship-related activities
- Contact details are included on the website and social media (LinkedIn), and enquiries are monitored and responded to
- Our approach varies according to the specific needs of the community / partner, and we take into account how they would like to communicate with us. For example, we attend seminars and training session rather than always seeking bilateral information from our partnerships. We aim to 'give back' through providing our expertise and input, rather than just 'taking' from these groups

Metrics

- Tracking of the number of volunteering days taken by colleagues in support of our community activity
- Philanthropic contributions by colleagues are recorded, if through the company's matched funding scheme

Capitals Impacted

Natural Capital

Human Capital

Social Capital

7.8 Statement by the Directors in performance of their statutory duties in accordance with s172 (1) Companies Act 2006

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Bank for the benefit of its shareholder, and with regards to all its stakeholders and matters set out in s 172 (a-f).

Likely consequences of any decision in the long term (s172a)

The Board reviews and approves the five-year business plan and monitors its implementation throughout the year. The plan is determined with a view to promoting the long-term sustainable profitability of the business; such considerations are integral to goals set out in the plan, the design of the strategy, and how the plan is to be implemented. As part of the review process, the Directors consider the long-term consequences of the plan, looking beyond the horizon outlined in the document. They also consider how the Bank's culture and values have been incorporated in the plan.

The interests of the company's employees (s172b)

As referenced in section 9, The Board understands that the Bank's employees are fundamental to the long- term success of the Bank: it is through the efforts and commitment of our colleagues that we are able to fulfil our purpose as an organisation.

Fostering the company's business relationships with suppliers, customers and others (s172c)

The Board recognises that, for the Bank to be successful over the long term, it is important to build and maintain successful relationships with a wide range of stakeholders and for the Board to understand the views of key stakeholders.

The Bank has identified its main stakeholders (see section 7.7), but acknowledges that there will be differentiation within the identified groups, and that the stakeholders are likely to change depending on the nature of the issue under consideration and over time. Some groups are likely to be more important than others for specific decisions, and there are likely to be trade-offs between the needs and wants of different groups. The Bank seeks to engage with all stakeholders in a meaningful way, but taking into consideration their level of interest in the decision and the likely net impact of them. The Bank aims to track and measure stakeholder engagement.

The impact of the company's operations of the community and environment (s172d)

The Bank takes into consideration both its direct and indirect environmental impacts (see section 3.3), and considers the impact of its operations on the community in which it operates.

Maintaining a reputation for high standards of business conduct (s172e)

The Bank ensures compliance with the requirements of legislation and maintenance of its reputation for high standards of business conduct in its decision-making process. Acting with integrity is one of our desired behaviours (see section 9).The need to act fairly between members (s172f)

The Bank is owned by a sole shareholder, so the requirement to act fairly between members is not applicable. The Board ensures that matters are referred to the sole shareholder in line with the Articles of Association and relevant statutory requirements.

7.9 Policies

We believe that comprehensive disclosures are paramount to enabling stakeholders to understand our activities, commitments and progress against such activities and commitments.

The following policies, statements and disclosures may be found on the website:

Firm-wide

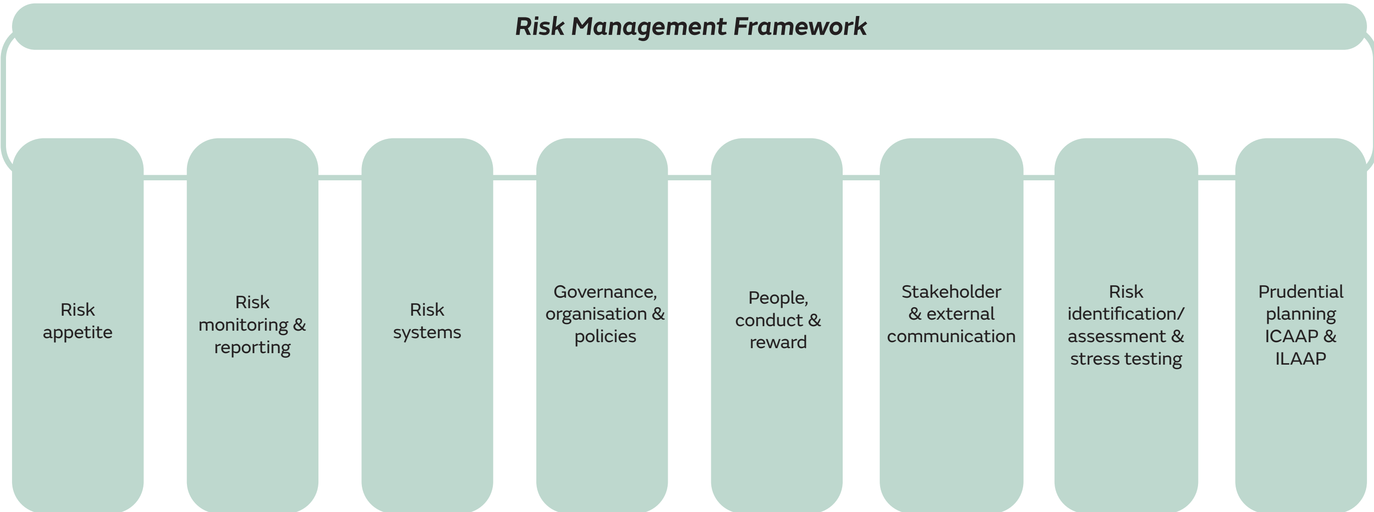
- GIB AM Modern Slavery Statement
- GIB AM Tax Strategy
- GIB AM Outsourcing and Third-Party Supplier
- GIB AM Code of Conduct
- GIB AM Pension Scheme Annual Engagement Policy Implementation Statement
- GIB AM Board Diversity Statement
- GIB AM Basel II Pillar 3 Disclosures
- GIB AM Risk Disclosure
- GIB AM: Climate related financial disclosures
- GIB AM Pension Fund Investment Principles
- GIB AM Aggregation and Allocation Guideline
- GIB AM Best Execution Policy
- GIB AM Complaint Handling Procedure

Investment-related

- GIB AM Modern Slavery Statement
- GIB AM Tax Strategy
- GIB AM Outsourcing and Third-Party Supplier
- GIB AM Code of Conduct
- GIB AM Pension Scheme Annual Engagement Policy Implementation Statement
- GIB AM Board Diversity Statement
- GIB AM Basel II Pillar 3 Disclosures
- GIB AM Risk Disclosure
- GIB AM: Climate related financial disclosures
- GIB AM Pension Fund Investment Principles
- GIB AM Aggregation and Allocation Guideline
- GIB AM Best Execution Policy
- GIB AM Complaint Handling Procedure

8. Risk Management Framework

GIB AM has a comprehensive Risk Management Framework aligned to its risk profile.



The framework incorporates sustainability and climate related risks. Consistent with that, climate related risks are included in relevant risk policies, such as the Investment Risk Framework, Credit Risk Management Policy and Key Risk assessments, and we have articulated a Climate Change Risk Management Strategy.

In line with Committee of Sponsoring Organizations of the Treadway Commission Enterprise Risk Management (COSO ERM) guidance, we periodically review the effectiveness of our risk framework and enhance our policies accordingly.

8.1 Risk and Opportunities

The success of our business depends on our ability to remain sustainable and manage risks effectively. We regularly assess the potential external and internal events and trends that could have adverse impacts on the capital, profitability, reputation, financial standing, operational resilience and strategic objectives of our company.
Our Board strives to achieve a balance between appropriate levels of risk and return.

8.2 Risk approach and Management

Our structured and disciplined approach to the management of risk considers the strategy, assets, liabilities, processes, people, technology and resources within our business, as well as our impact on clients, the community and the environment with the purpose of continually evaluating and managing risks across the firm.

8.3 Material Risk Categories

We consider the materiality of the following categories of risk in our risk profile and assessment of risk:

- *Credit Risk*
- *Operational Risk*
- *Strategic and Business Risk*
- *Market Risk*
- *Concentration Risk*
- *Conduct Risk*
- *Liquidity Risk*
- *Reputational Risk*
- *Investment Risk*

8.4 2023 inherent risk profile:

As GIB (UK) moved further into its 5 year growth strategy, Client Concentration & Client Loss Risk was increasing. The investment teams and hybrid model were well established however we were facing a cost of living crisis and a global war on talent at the same time that our performance track record was of critical importance to raise assets so People Risk was heightened. With the increasingly volatile and unpredictable global economic environment, financial risks, and in particular Credit Risk, were heightened, as higher interest rates and lower market liquidity tend to be favourable to our Treasury & Banking business. Given the size of our banking transactions and the increasing focus from both the PRA and the FCA, Operational Resilience Risk remained an area of focus in 2023. With the new products launched over 2021/22, the expected increase in client numbers, and the pressures on Regulatory Reporting, Operational Error risk but also Scalability Risk were rising. Geo-political Risk could have impacted credit and operational resilience risks. In light of the level of regulatory scrutiny in relevant areas, Regulatory & Economic Crime Risk remained an area to mitigate further in 2023. External threats continued to rise in the Cyber Risk space. With the impact of Climate Change becoming more visible and anti-green washing regulations coming to the fore, Sustainability & Climate Change Risk remained a key risk in 2023.

In 2023 our key inherent risks were:

- Client Retention/Acquisition Risk
- Operational Resilience Risk
- Operational Error Risk
- Sustainability & Climate Change Risk
- Talent Risk
- Regulatory Risk
- Investment Performance Risk
- Cyber Risk
- Macroeconomic/Financial Risk

Key Risks Faced by GIB (UK)

Client Retention/Acquisition

The possibility of not being able to acquire new client/assets, or losing clients/assets, resulting in loss of revenues and liquidity and damages staff morale and GIB (UK)'s reputation.

Inherent Impact	Inherent Probability	Drivers/ Triggers	Risk mitigation Strategy	Further mitigation actions
Inherent: Severe – Failure to meet business plan Reduced profitability Low employee morale/resignation Diminished Board/ shareholder confidence/ support **Residual:** Severe (No change)	**Inherent:** Possibly – Deep client relationships. Mix of well established and recent capabilities across asset classes Volatile markets **Residual:** Unlikely – Well defined sales strategy with enablers and accelerators, robust investment, and oversight processes but short track record.	**External** • Asset re-allocation due to macro-economic environment or changes to asset owner landscape • GIB credit and consultant rating/credibility in sustainability • Geopolitical issues in the GCC region (T&B) **Internal** • Short track record (AM) • Small seed capital investment • Uncompetitive pricing • Lack of regulatory permissions • Poor client service • Lack of digital capability • Breach of client confidentiality (T&B) • Loss of key investment personnel (AM) • Mis-judgement of value proposition (AM) • Inadequate technology • Poor client reporting	• Distribution strategy to diversify our client base globally/by segments • Visibility and accessibility to GIB AM via fund platforms (Morningstar, e-vestment, AllFund) • Regular client communication and risk-based client relationship management • Oversight of outsourced service providers and critical third party vendors • Client confidentiality measures (T&B) • On-going review of prices • Market and competitors analysis and thorough product testing • Good ODD readiness • Robust governance (incl. PCGC and IRPC oversight)	Asset Management: • Enhance client reporting • Implement streamlined RFP process Establish standard DDQ for family offices and consultants • Enhance market and competitor analysis for new products • Enhance Product sales projections for new products Banking & Treasury • Development of Link portal for Banking clients

Operational Resilience Risk

The possibility of unacceptable harm to our clients or the markets due to disruption beyond tolerance levels.

Impact	Probability	Drivers/ Triggers	Risk mitigation Strategy	Further mitigation/ actions
Inherent Severe Disruption of Business Services (IBS) beyond tolerance level would result in reputational damage and regulatory criticism/fine. **Residual** Major BCP / Manual workaround would have to be invoked but would restrict activity	**Inherent** Possibly GIB KSA/BSC faces cyber and geopolitical risk. Other 3rd party providers also face cyber risk and risk of power failure. **Residual** Unlikely	**Internal** • Lack of due diligence, oversight, and stressed exit plans • Poor BCM practices • Outsourcing of Treasury operations to countries/regions under geo-political threat **External** • Cyber breach at 3rd party • 3rd party Bankruptcy • Poor service level/BCM practices • Data Breach • Major power outage • Terrorist incident • Military attack • Sub outsourcing by group to third parties	• Outsourcing policy aligned to PRA SS2/21 • Service Level Agreement (SLA) reviewed annually, which includes UK approval of any sub outsourcing • Operational oversight of Group supported activities • Data transfer risk assessments • 3rd Party Risk Management Framework • Operational Risk Event reporting for all losses and near miss events in KSA Operations • Full participation in Group Disaster Recovery testing • Monthly Key Risk Indicator reporting and review of key service levels • RTO verified through BCM testing • 2nd line defense oversight (incl. recent fully compliant compliance review) • Internal Audit review (planned in Q3) • Important Business Services and tolerances reviewed	Further enhancements during the transition period as per plan. Including : • Enhancement of scenario testing complexity • Greater visibility of 3rd party vulnerability and controls through the implementation of a TPRM tool. • Review of requirements to allow testing of 3rd party BCM and Operational resilience plans • Enhance geo-political risk monitoring

Key Risks Faced by GIB (UK)

Operational Error Risk

The possibility of people, process, system or external failure resulting in breaches and/or financial loss.

Impact	Probability	Drivers/ Triggers	Risk mitigation Strategy	Further mitigation actions
Inherent Severe Operational Errors could result in financial losses, reputational damage, or regulatory scrutiny **Residual** Major	**Inherent** Almost certain **Residual** Likely	**Internal** • Lack of diligence/care, inadequate competence/training • Manual processes/lack of automation • Lack of documented procedure, poor control environment • Inadequate system or excessive reliance on spreadsheets • Poor data quality • Lack of ownership of Group systems/data **External** • Third party failure	• Robust Operational Risk framework incl. BRC and AROC governance and 2nd line oversight • Operational Risk Event reporting for all losses and near miss events • Monthly Key Risk Indicator reporting and review of key service levels (for Group only) • On-boarding and mandatory training plan • Governance framework incl. policies and procedures • Spreadsheet and Model Risk Management • Outsourcing and Third Party Risk Management Framework policies • Control testing • Internal audit • Validated Regulatory Reporting models	• 2nd LOD RCSA review • Implement self-testing for Banking & Treasury key controls (in Treasury/Finance/Risk) • Finalise Bloomberg implementation project for 1st Line • Implement straight through processing for investment and order management process • Audit high/medium risk complex spreadsheets • New joiners supervision • Embed digital skills assessment and training in our on-boarding process • Consider establishing a middle office function

Sustainability and Climate-related Risk

The possibility that ESG factors result in financial losses to GIB (UK)'s balance sheet or profitability.

Impact	Probability	Drivers/ Triggers	Risk mitigation strategy	Further mitigation actions
Inherent: Severe: Direct and indirect financial losses from sustainability issues incl. climate change, reputational impact and litigation. **Residual:** Major *Note: For the purpose of this risk assessment, horizon has been extended to 2050*	**Inherent:** Likely **Residual:** Unlikely	**Internal** • Positioning as a leader in ESG commitments/signatories of numerous initiatives • Lack of tangible (financial or sustainability) results from investee engagement • Limitations in measuring ESG standing • Clients/shareholders heavily dependent on fossil fuels **External** • Negative movements in ESG factors relating to corporate or client assets (e.g. depreciation in oil prices affecting client deposits). • Perceived conflict between ESG strategy and parentage • Increase in greenwashing accusations • Growing anti-ESG sentiment (especially in USA)	• Embed sustainability in to firm culture • ESG Risk Appetite Statement and policies • Well designed investment methodologies and robust product design • Data monitoring and reporting, incl. quality sustainability disclosures • Q&A around heritage • Investee ESG engagement • Monitoring of ESG controversies incl. IRPC oversight • Cross-industry collaboration to further advance ESG practices • Client communications review process and product governance • Governance and tracking of sustainability commitments	• Ensure work is agreed to improve office energy rating to minimum level • Enhancement and further alignment of response to questions on heritage/ownership • Targeted/function based training • Further definition of, and guidance around, client and investee company engagement • Embedding of ESG external rating into credit approval process • Climate Risk stress testing of credit portfolio • ESG Policies monitoring • External assurance on Integrated report • Transition Plan

Key Risks Faced by GIB (UK)

Talent Risk

The possibility of lack of skill or loss of key person/teams impacting GIB (UK)'s business performance.

Impact	Probability	Drivers/ Triggers	Risk mitigation Strategy	Further mitigation actions
Inherent: Major • Reputational/ brand damage • Loss of clients/prospects • Failure of product • Low productivity, delays or interruptions • Poor performance • Errors, breaches, regulatory scrutiny **Residual:** Major Importance to hold investment talent whilst we are building track record and developing sales and marketing efforts.	**Inherent:** Likely • Competitive labour market **Residual:** Unlikely	**Internal** • Change of CRD V status • Lack of credibility of the strategy or delays in implementation/Low expected profit • Low employee engagement/morale • Lack of middle/back-office/sales support • Uncompetitive compensation/reward • Lack of inspirational leadership/poor communication from senior/line management • Poor culture • Poor Employer brand • Small investment teams • Lack of alignment between employee's and the organisation's values **External** • Labour shortage and rising cost of living	• Robust investment and business planning processes • Continuous investment in leadership training • Regular communication from the top (e.g. Business Plan roll out, regular Bank and Team updates) and staff engagement surveys • Market compensation benchmarking exercise with NRC oversight • Competitive benefits offering • Health and well being support • Hybrid working • Succession planning (at Board, ExCo level and ExCo-1 level) • Exit interviews • Personal Development Plans • Cultural Journey • Process of monitoring of balance sheet & escalation if close to impacting CRDV • D & I Policy & disclosures	• Building an exciting brand (e.g. D&I policy and disclosures published) • encourage managers and employees to update their goals, check ins, and Personal Development Plans • See actions for Investment Performance (which are also linked to retention of Investment talent)

Regulatory Risk

The possibility of regulatory scrutiny, criticism or fines due to breaches of existing or new regulatory requirements.

Impact	Probability	Drivers/ Triggers	Risk mitigation Strategy	Further mitigation actions
Inherent: Major – Financial loss, regulatory scrutiny (e.g. investigation, section 166, penalty/fine, restrictions around of new business) or removal of regulatory permissions/ USD usage, and reputational impact **Residual:** Moderate (heightened scrutiny)	**Inherent:** Almost Certain **Residual:** Possibly	**Internal** • Regulatory breaches • Deficient systems and controls • Deficient regulatory change management • Increased complexity through Irish UCITS and European registrations and wider product range • Lack of regulatory/prudential knowledge and/or capacity • Inadequate culture **External** • Complex regulatory change agenda • Divergence of UK and EU regulatory regimes • Post Brexit protectionism • Increasing oversight from CBB • Regulators view of M/E entities	• Mandatory training plan • Comprehensive policies and procedures incl.: market leading compliance monitoring program • Oversight by independent Compliance team • Governance by PCGC, BRC and AROC • Regulatory Change Management Framework • Cultural Framework • Internal Audit with deep knowledge of UK regulations • External audit against CBB requirements • Cross border requirements guide and tracker • Wider Business engagement with industry associations across the business • Regulatory Reporting Oversight Framework	• Automate Regulatory Reporting using Vermeg • Remediate delays with Prudential Calendar • Internal control testing • Implement process to track Group's aggregated exposures to shared counterparties for EMIR initial margin

Key Risks Faced by GIB (UK)

Investment Performance Risk

The possibility of persistent poor investment performance.

Impact	Probability	Drivers/ Triggers	Risk Mitigation Strategy	Further mitigation actions
Inherent: Severe – • Poor returns for clients • Inability to raise new assets • Damaged track record • Low employee morale/resignation • Failure to meet business plan • Damaged Board confidence **Residual:** Major Client returns are equally impacted but the outcome is explainable	**Inherent:** Possibly • Indexation is well established • Active capabilities are new **Residual:** Possibly Robust investment oversight processes but short track record on the strategies	**Internal** • Failure to ringfence investment team's time to focus on investment analysis, discussion and decisions • Inadequate data, systems and/or technology • Loss of key investment personnel • Inadequate investment capabilities, diversity of thoughts or psychological safety • Inadequate levels or nature of risk • Costly execution • Poor performance attribution analysis **External** • Unfavourable conditions for our style/asset class including sustainable investment • Unfavourable economics/markets • Unfavourable regulatory and competitive landscape	• Protect investment team time to focus on core investment activities • Structured investment process that is robust, and repeatable • Experienced teams with diverse and experienced investment skill sets • Adequate research and travel budget • On-going monitoring process • Investment Risk & Performance Committee oversight	• Implement efficient data, technology and systems • Implement effective collaboration tools • Maintain and improve diversity in investment teams • Maintain and improve the 'respectful challenge' culture • Ensuring marketing is as friction free as possible • Further integrate sustainability best practices • Further document Investment Processes and audit trail • 2nd Line review of investment process compliance

Cyber Risk

The possibility of data loss, corruption or fraud from the use of technology.

Impact	Probability	Drivers/ Triggers	Risk mitigation strategy	Further mitigation actions
Inherent Major External fraud Data loss or corruption Business disruption Client loss/reputational Fines **Residual** Moderate	**Inherent** Likely Cyber criminality and state sponsored attacks are on the rise and GIB (UK) is a target both as a bank and due to its links with KSA. **Residual** Possibly Mature and dynamic information security framework with layered controls in place	**External** • Target for politically motivated attacks (HQ in Mid-East) • Target for financially motivated attacks (small bank processing payments) • Phishing attacks • Third Party (supply chain) providers subject to attack or compromise of security • Reliance on internet for core services (internal email, file access, data centre) • Threats to global infrastructure impacting communications. **Internal** • Internal threat • Excessive user privileges • Size and volumes of 3rd party payments • Policy deviations (e.g. authentication) • Vulnerability management • System misconfiguration • Anti-virus updates • Pressure on staff • Real-time replication/ backup of compromised data	Mature, dynamic cyber-security framework with layered controls **Identify & Manage** • Strong governance (ISMC, CMC, BRC, AROC) • Industry aligned policies and configurations • Third party assessments (including payment infrastructure - CSP) • Independent audits (int & ext) **Protect** • Firewalls • Web & Email Scanning • Staff/Board training and awareness • Automated patching • Virus Protection • Strong authentication • Environment segregation **Detect** • Independent Pen Tests • Security monitoring **Recover** • Replication, offline backups, redundancy and time-based checkpoints • Cyber incident table top simulation	**Incident Response** Training and technical simulations **Data** Improved data classification and controls to prevent data loss **Resilience** Alternative routing of network communications **External Assurance** Improve frequency of external PenTest and consider move to automated and continuous PenTest **Awareness** Additional staff training, covering password management and processing sensitive data.

GiB

Key Risks Faced by GIB (UK)

Cyber Risk

The possibility of data loss, corruption or fraud from the use of technology.

Impact	Probability	Drivers/ Triggers	Risk mitigation Strategy	Further mitigation actions
Inherent: Severe –Inter-bank counterparty or bond issuer default, seed capital write downs, loss of revenue on Banking book **Residual:** Major Nostro bank failure	**Inherent:** Unlikely Post 2008/11 financial crisis, banks are better capitalised and more liquid and central banks have intervened heavily. **Residual:** Unlikely	**Internal** • Credit concentration • Increasing Expected Credit Losses • Inadequate credit/country risk analysis and monitoring • Inadequate operational support due to fragmented responsibilities (Murex support, static data, credit administration, credit risk across Group and UK etc.) • Inadequate Treasury system • Delays with CA preparation or approval **External** • Further shocks due to COVID variant/new virus • International conflicts • Fall in corporate valuations and decrease in credit ratings, with Financial Services Sector CDS basket spreads widening in many areas of the globe • Defaults • Flat or inversed curve • Clients need for liquidity	• Conservative risk appetite (in particular around min. credit ratings) • Robust capital, credit, market, IRRBB, and liquidity risk management frameworks incl. strong governance by ALCO • Weekly credit monitoring • In-depth understanding of key depositors position and competitors landscape • On-going review market for opportunities and instruments • Treasury Task Force available when required	• Implement local credit approval process for obligors not covered by FIG (Risk) • Integrated climate change/sustainability risk into credit risk management • Optimise use of capital **Opportunities:** • Reduce capital add-on • Enhance risk adjusted returns

8.5 GIB AM Approach to managing risk

The purpose of risk management at GIB AM is to ensure all risks are managed in line with our Board Risk Appetite to promote a strong understanding of risk and an effective Risk culture within GIB AM.

GIB AM's Board approves the Risk Appetite Statement. This sets the direction of risk-taking activities and is central to embedding an effective risk culture. Our Board Risk Appetite is reviewed every year in line with our Business Plan.

GIB AM has a comprehensive Risk Management Framework aligned to its risk profile, which is responsive to changes in internal and external environments. It is also embedded within GIB AM's operating model and plays a key role in the day-to-day decision making process.

We aim successfully to embed Risk Management into the company's governance and working practices, which require all employees to consider actively the ways in which they act, behave and articulate risk.

We adopt a holistic view of risks on a firm-wide basis. GIB AM conducts a periodic review of its risk profile, at least on an annual basis, to ensure that it remains current and allows for recognition of emerging and escalating risks. Our Chief Risk & Compliance Officer is responsible for maintaining a firm-wide risk management framework.

9. People and Culture

2024 Strategic Goal

Investing in our people and culture, with a focus on high performance, ED&I and psychological safety
Culture can be an organisation's "super power", and so we want to ensure our culture supports our business goals. This was neatly articulated in a 2023 article by our Head of European Equities, Matthew Kates, [add link] and we apply this same approach to ourselves.

2023 Overview

Tailwinds

- GIB AM's Culture Survey in July 2023 showcased a notable progress in cultural engagement with an overall engagement score of 87% (up from 75% in 2022) and a participation rate of 74% (a rise from 55% in 2022) and
- These results align with the pleasing group engagement survey results for GIB (UK) at 81%, marking over 20% year-on-year growth since 2018.
- EDI remains the top-scoring area, demonstrating that ongoing initiatives are positively influencing GIB AM's culture.

Headwinds

- We have welcomed a large number of new colleagues to the firm over the past year; meaning that efforts have had to be made to transmit our target culture to new colleagues and communicate on key areas of our strategy, values, and initiatives to ensure everyone has the same understanding.
- It can be hard to find the optimal balance between robustness of process and low risk appetite with the desire to move quickly and with agility.

The Requirement – People & Culture in 2024

We have identified three focus areas for 2024:

a) High performance

Effective Decision-making:

- ***Strategic Delivery Framework***: We are introducing an enhanced approach to prioritising business demands (see also Scale objective)
- ***Roll out standardised RACI approach*** for all tasks requiring cross-area collaboration. This means clarity on who is Responsible, Accountable and who will be Consulted and Informed.
- Emphasise timely objective fulfilment, combined with regular progress checks, leveraging the Appraisd tool
- Strengthen delegation to management team from ExCo
- Roll out use of a tool for managers to diagnose challenges and coach their team to implement solutions (5 Cs: ensuring capabilities exist, tackling constraints, and ensuring clarity, competencies and commitment are in place).

Recognising and rewarding talent

- Review incentive structures to support talent retention better
- Integrate training on difficult conversations within a broader communication excellence framework

Encouraging individuals to develop their skills

- Continued support through personal development plans for learning and development

b) Psychological safety – this was a focus for 2023, with a series of workshops and initiatives to help individuals be comfortable to speak and show themselves. We aim to continue this in 2024

- Introduce an online training module by year-end, blending theory, practical exercises and guidelines
- Embed a feedback culture rooted in psychological safety, maximising the use of Appraisd for structured feedback

c) EDI – This has been a priority for several years, but we recognize that there is always more to do

Enablers

- Resourcing
- Training

DIRECTORS REPORT

The directors have pleasure in submitting their annual report, together with the audited financial statements of Gulf International Bank (UK) Limited and subsidiary, SIB Portfolio Advisers and New York based Branch, ("GIB (UK)" or "the Bank"), for the year ended 31 December 2023.

Directors

The directors at the date of this report are:
Abdulaziz Al-Helaissi (Chair)
Abdulla Mohammed Alzamil
Jamal Al-Kishi (Resigned 28 February 2024)
Turki AlMalik
Ralph Campbell
Katherine Garrett-Cox
Miriam Greenwood
Gary Withers
John Xefos
Soraya Chabarek

Going concern
The Bank's business activities together with the factors likely to affect its future development, performance and position are set out in Note 5 of the Strategic Report. The Bank's policies to manage risk are set out in note 20, in particular the policies to manage liquidity are in note 20 (c) and to manage capital in note 20 (g). These notes also contain the Bank's liquidity and capital positions at 31 December 2023.

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the at least 12 months from the authorisation of these Financial Statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Charitable and Political donations
The Bank made charitable donations of $5.6k (2022: $5.6k). The Bank did not make any political donations during the year, as per its Corporate Philanthropy Policy.

Disclosure of information to auditors
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Bank's auditors are aware of that information.

Auditors
Pursuant to Section 487 of the Companies Act 2006, the auditor, Ernst & Young LLP, was approved to continue in office for the financial year ending December 2023.

Other Declarations
The Bank neither declared nor paid a dividend in 2023 (2023: Nil).

There have been no material post balance sheet events, except for those provided in note 30.

Financial risk management objectives and policies, and information on risk exposures, are covered in the strategic report. Likely future developments in the business of the company are also covered in the strategic report.

The strategic report covers how the Directors have had regard to employees and other stakeholders, including in making principal decisions, and the steps taken more generally to ensure effective engagement with relevant stakeholder groups.

Statement of directors' responsibilities in respect of the strategic and directors' reports and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare the Bank financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards ("IFRSs"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.
By order of the Board

Ralph Campbell
Director and Chief Financial Officer
20 March 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GULF INTERNATIONAL BANK (UK) LIMITED

Opinion

We have audited the financial statements of Gulf International Bank Limited ("the Bank") for the year ended 31 December 2023 which comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement Changes in Equity, the Statement of Cash Flow and the related notes 1 to 30, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the Bank's affairs as at 31st December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included the following:

- We obtained an understanding of management's going concern assessment process and engaged with management to ensure that all key factors were considered in their assessment;
- We developed an understanding of how the Bank managed liquidity and capital during 2023;
- We obtained management's going concern assessment which included long-term forecasts for the period 2024 to 2028, liquidity and capital adequacy analyses and a reverse stress scenario. We evaluated the risks included in the assessment as well as those included in management's reverse stress test and downside sensitivity analyses;
- We read the ICAAP and ILAAP and considered the different stress scenarios and management's actions set out to manage any stresses and comply with regulatory requirements;
- We assessed the historical accuracy of management's profit forecasts through checking the reasonableness of the assumptions included within those forecasts and comparing prior years budgeted financial information with historical actual results;
- We performed stress testing to consider the reasonableness of the profit forecast and resultant impact on capital adequacy over the assessed going concern period;
- We evaluated management's plans for future actions within the control of the Bank to maintain a surplus to binding regulatory capital and liquidity requirements over the going concern period in order to determine if such actions are feasible in the current circumstances;
- We reviewed the correspondence between the Bank and its regulators, including the updated capital

requirements communicated by the Prudential Regulation Authority ("PRA") during 2023 and 2024, and the minutes of Board of Directors meetings, to check for any information that might impact the going concern assumption;

- We have obtained management's climate risk assessment and evaluated the impact of transition and physical risks on going concern assumption of the Bank; and we assessed the Bank's going concern disclosures in the Annual Report and Accounts to determine whether they were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	*Materiality*
Valuation of financial instruments held at fair value and related profit & loss Adequacy of the Bank's control environment in relation to the financial statement close process	Overall materiality of $ 4.6m which represents 1.0% of the Bank's total equity (2022: $2.08m representing 0.5% of the Bank equity).

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements.

We take into account size, risk profile, the organisation of the Bank and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team with the exception of specific audit work performed on the processes, systems and controls centrally managed by Gulf International Bank B.S.C, which was tested by EY Bahrain including IT audit professionals as required.

We interacted regularly with EY Bahrain where appropriate during various stages of the audit, reviewed key audit working papers and were responsible for the scope and direction of audit procedures. This gave us appropriate evidence for our audit opinion.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Bank. The Bank places a strong focus on assessing how risks associated with sustainability, including those related to climate, may influence its strategic direction and business model, as explained in note 1 of the financial statements.

Our procedures on these disclosures consisted of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

In planning and performing our audit, we assessed the potential impacts of climate change on the Bank's business and any consequential material impact on the financial statements.

As explained in Note 1 to the Annual Report, the Bank is unable to fully assess the future economic impact of climate change risks on its business, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. Based on available evidence and analysis performed to date, the Bank determined that there is no material impact on it financial statements as a result of climate risk.

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks disclosed in Note 1 have been appropriately reflected by management in determining that the impact on the financial statements would be immaterial.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit, Risk and Oversight Committee (AROC)
Valuation of financial instruments held at fair value and related profit & loss As reported in the statement of financial position, as at 31 December 2023 the Bank held: ▪ Derivative assets for $73.8m as at 31 December 2023 (2022: $69.6m). ▪ Derivative liabilities for $50.1m as at 31 December 2023 (2022: $43.5m). Net Trading Income for year ended 31 December 2023 amounted to $46.4m (2022: $4.8m). GIB UK holds non-complex derivative financial instruments (interest rate swaps (IRS), foreign exchange swaps (FX swaps), foreign exchange forward contracts (FX forwards), and Futures)) and bespoke financial instruments (total return swaps (TRS)) to manage its financial risks. There is a risk that the valuation of financial instruments and related trading revenue P&L is inappropriate at year-end. Our risk assessment considered the continued challenging macro- economic environment, the launch of a new fund during the year, and the manual nature of derivative accounting process.	We performed the following procedures: ▪ Confirmed our understanding of process and key controls over existence, valuation and related income statement measurement of financial instruments. ▪ Confirmed our understanding of the hedging strategies to mitigate market volatility on trading securities by entering into TRS and futures, as well as the strategies in place using other non-complex instruments such interest rate and foreign exchange related derivatives, and challenged the fair value estimates. ▪ Verified the existence of the entire population of derivative instruments via external confirmations and alternative procedures. ▪ Involved our specialists to independently assess the year end valuation of an extended sample of all financial instruments (FX Forwards, FX Swaps, Interest rate Swaps and Futures). ▪ Involved more experienced and senior team members in performing audit procedures in this area. Specifically, for the TRS: ▪ Involved our specialists to revalue the TRS population considering the specific risks on these instruments. ▪ Performed reasonableness check of P&L recognised on TRS, by understanding the expected impact of the economical hedge on the gains/losses for the respective fund. ▪ Verified the accuracy of the inputs used in the calculation of the TRS. We tested the presentation of the derivatives in the financial statements, including the levelling and risk management disclosures in accordance with IFRS 13 and IFRS 7 requirements.	We are satisfied that the assumptions used by management to reflect the fair value of financial instruments and the recognition of related profit and loss impacts is reasonable and in accordance with IFRS.
Adequacy of the Bank's control environment in relation to the Financial Statement Closing Process ('FSCP') The risk relates to our assessment that the Bank's improved control environment does not cover the full financial year. Following our assessment of the prior year control findings, we have observed enhancements in the internal controls over financial reporting during the year. However, due to the ongoing remediation and control implementation throughout the year, we could not always rely on process level controls. Consequently, we adopted substantive audit strategy to gain reasonable assurance over the balances reported in the financial instruments. As a result of continued effort to improve control environment, we anticipate being able to remove the key audit matter in our audit for the year ended 31 December 2024.	We assessed process level controls that management relies on for financial reporting including the new controls implemented throughout 2023 in response our prior year controls observations. Where we were unable to place control reliance or where it was more efficient to take a substantive approach to obtain reasonable assurance over the balances impacted, we addressed the increased risk by designing and undertaking audit procedures to obtain a greater proportion of evidence from substantive testing and the use of incremental audit procedures.	Our observations to the AROC included our assessment of the progress made by the Bank against prior year issues, as well as communicating further improvements required in the remaining areas. We highlighted to the AROC that where we were not in a position to place reliance on process level controls or where it was more efficient, we adopted a substantive audit approach. We provided details of the substantive testing applied, including details such as increased substantive testing samples, increased use of specialists and increased involvement of senior members of the audit team. We satisfactorily obtained the necessary audit evidence from our additional substantive work.

In the prior year, our auditor's report included a key audit matter in relation to "Valuation of financial instruments held at fair value". In the current year, we tailored the KAM to refocus risk and capture the related profit and loss movements driven by the fluctuation in the fair value of the financial instruments that are held at fair value.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Bank to be $4.6 million (2022: $2.08 million), which is 1% (2022: 0.5%) of Bank's equity. We believe that equity provides us with the most useful measure for users of the financial statements, given that the bank operates in a regulated industry and its results have been volatile in recent years. We increased the year-end audit materiality from 0.5% to 1% of equity, amounting to $4.6m. This reflected an improvement in the business environment over the course of the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 50% (2022: 50%) of our planning materiality, namely $2.30m (2022: $1.04m). We have set performance materiality at this percentage which is the lower end of our materiality range based on our consideration of corrected and uncorrected audit differences and control exceptions relating to financial reporting process identified during prior year audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We have agreed with the Audit and Risk Oversight Committee (AROC) that we would report to them all uncorrected audit differences in excess of $230k (2022: $104k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 59 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Bank and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are Companies Act 2006, Financial Services and Markets Act 2000, Financial Services Act 2012, Capital Requirements Regulation, Market in Financial Instruments Directives (MifiD 1 and 2), and relevant Prudential Regulation Authority and Financial Conduct Authority regulations.
- We understood how Gulf International Bank (UK) Limited is complying with those frameworks by making enquiries of management, including the risk department, and those responsible for legal and compliance matters. We also reviewed the minutes of the Board and the AROC; and gained an understanding of the Bank's approach to governance demonstrated by the Board's approval of the Bank's risk management framework and the internal controls processes. Furthermore, we reviewed all internal audit reports and correspondence with the regulators.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by considering the controls that the Bank has established to address risks identified by the Bank, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management, internal audit, and those responsible for legal and compliance matters; as well as focused testing as referred to in the Key Audit Matters section above. In addition, we performed procedures to identify significant items inappropriately held in suspense and tested journal entries with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.
- As the audit of a bank requires specialised audit skills, the senior statutory auditor considered the experience and expertise of the audit team to ensure that the team had the appropriate competence and capabilities and included the use of specialists

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the AROC we were appointed by the Bank during 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is eight years, covering the years ending 31 December 2016 to 31 December 2023.

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting the audit.
- The audit opinion is consistent with the additional report to the Board Audit & Risk Committee.

Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jean-Philippe Faillat (Senior statutory auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor London

March 2024

Statement of Financial Position

	Note	31.12.23 US$ 000	31.12.22 US$ 000
ASSETS			
Cash and cash equivalents	3	14,883,184	5,325,978
Placements with banks	4	5,290,351	3,661,166
Trading securities	5	111,752	73,490
Derivative financial asset	21	73,778	69,607
Debt securities at amortised cost	6	969,443	983,131
Property, plant and equipment	7	3,363	3,915
Right-of-use assets	7.1	23,857	25,740
Other assets	8	207,336	115,596
Current tax receivable		-	918
Total assets		21,563,064	10,259,541
LIABILITIES			
Deposits from banks	10	76,401	370,965
Deposits from customers	11	20,851,700	9,323,428
Derivative financial liability	21	50,031	43,543
Deferred tax liability	19	12,219	5,032
Other liabilities	12	113,887	97,890
Current tax liabilities		775	-
Total liabilities		21,105,013	9,840,858
EQUITY			
Share capital	13	250,000	250,000
Capital contribution		2,279	2,279
Retained earnings		172,894	133,014
Pension Reserves		32,878	33,390
Total equity		458,051	418,683
Total liabilities & equity		21,563,064	10,259,541

The financial statements were approved by the Board of Directors and signed on its behalf by:

Ralph Campbell
Director and Chief Financial Officer

The notes on pages 72 to 138 are an integral part of these financial statements.

Statement of Income

	Note	Year ended 31.12.23 US$ 000	Year ended 31.12.22 US$ 000
Interest income from financial instruments measured at amortised cost		702,928	222,570
Other Interest income/(expense)		18,096	399
Interest expense from financial instruments measured at amortised cost		(679,131)	(184,447)
Net interest income	14	41,893	38,522
Net fee and commission income	15	3,415	2,128
Net trading income/(loss)	16	46,351	4,753
Foreign exchange income and revaluation of foreign currencies		15,526	11,764
Expected credit loss charge on financial assets	20	(199)	(140)
Other operating income/(loss)	26	2,852	4,801
Operating expenses	17	(57,344)	(52,682)
Profit/(Loss) before tax		52,494	9,146
Income tax (expense)/credit	19	(12,614)	(2,036)
Profit/(Loss) for the year		39,880	7,110

Statement of Comprehensive Income

	Note	31.12.23 US$ 000	31.12.22 US$ 000
Profit/(loss) for the year		39,880	7,110
Other comprehensive income :-			
Items that may subsequently be reclassified to statement of income		-	-
		-	-
Items that will not be reclassified to statement of income			
Remeasurement of defined benefit pension fund		(426)	6,016
Income tax relating to defined benefit pension		(86)	(1,304)
		(512)	4,712
Other comprehensive income for the year, net of tax		(512)	4,712
Total comprehensive income for the year		39,368	11,822
Total comprehensive income attributable to:			
Equity holders of the parent		39,368	11,822

Statement of Changes in Equity

	Equity attributable to the shareholders of the Bank				
	Share capital	Capital contribution	Pension reserve	Retained earnings	Total equity
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Balance at 1 January 2022	250,000	2,279	28,678	125,904	406,861
Opening adjustment					
Arising in the year:-					
- Deferred tax liability on defined benefit pension	-		(1,304)		(1,304)
- Pension reserves	-		6,016		6,016
Total other comprehensive income	-	-	4,712	-	4,712
Net loss for the year	-		-	7,110	7,110
Total comprehensive income for the year	-	-	4,712	7,110	11,822
Balance at 31 December 2022	250,000	2,279	33,390	133,014	418,683
Balance at 1 January 2023	250,000	2,279	33,390	133,014	418,683
Arising in the year:-					
- Deferred tax liability on defined benefit pension	-		(86)		(86)
- Pension reserves	-		(426)		(426)
Total other comprehensive income	-	-	(512)	-	(512)
Net profit for the year	-		-	39,880	39,880
Total comprehensive income for the year	-	-	(512)	39,880	39,368
Balance at 31 December 2023	250,000	2,279	32,878	172,894	458,051

Statement of Cash Flow

	Note	31.12.23 US$ 000	31.12.22 US$ 000
Operating cash flows from operating activities		52,494	9,146
Profit/(loss) before tax			
Adjustments to reconcile loss before tax to net cash flow from/(used) in operating activities: -			
Income tax received/(paid)		(3,870)	0
Depreciation of property and equipment	7	1,060	1,211
Depreciation of ROU assets	7	1,883	2,520
Change in accrued interest receivable		(90,461)	(47,278)
Change in accrued interest payable		7,017	45,097
Change in other net assets (Including movements to pension reserve)		11,798	(66,074)
Change in trading securities		(38,262)	(17,019)
Change in placements with banks		(1,629,689)	144,535
Change in debt securities at amortised cost/Investment securities net		13,993	18,566
Change in deposits from banks		(536,019)	893,757
Change in deposits from customers		11,528,272	(698,680)
Finance costs (lease liability)		1,093	1,125
Impairment		199	119
Net cash inflow/(outflow) from operating activities:		9,319,508	287,025
Cash flows from investing activities			
Net purchase of property and equipment		(508)	(39)
		(508)	(39)
Net cash used in investing activities			
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(3,249)	(2,115)
Net cash used in financing activities		(3,249)	(2,115)
Net increase/(decrease) in cash and cash equivalents		9,315,751	284,871
Net foreign exchange difference		241,455	(558,230)
Cash and cash equivalents at beginning of year		5,325,978	5,599,337
Cash and cash equivalents at end of year *		14,883,184	5,325,978
Cash and cash equivalents		14,883,184	5,325,978
		14,883,184	5,325,978

The financial statements were approved by the Board of Directors and signed on its behalf by:

Ralph Campbell

Director and Chief Financial Officer

The notes on pages 72 to 138 are an integral part of these financial statements.

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

1 General Information

Gulf International Bank (UK) Limited 'The Bank' is registered in the United Kingdom, registration number 1223938, incorporated under UK Law on 22nd August 1975, of registered address: First Floor, One Curzon Street London, W1J 5HD. The Bank's principal operations are corporate banking services and asset management and are carried out in London, with a branch in New York. The Bank is authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority as well as the Prudential Regulatory Authority.

The Pillar 3 disclosure is available at http://www.gibam.com.

Basis of Preparation

The financial statements of the Bank have been prepared in accordance with UK adopted international accounting standards.

The immediate parent company is Gulf International Bank BSC (GIB BSC), incorporated in Bahrain. The consolidated financial statements of Gulf International Bank BSC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Gulf International Bank, P.O. Box 1017, Al-Dowali Building, 3 Palace Avenue, Manama, Bahrain. The Bank is not required to prepare group accounts since it qualifies for the exemption available under a) Section 401 of the Companies Act 2006 and b) IFRS 10. These financial statements have been prepared on a standalone basis.

Climate Risk

GIB UK considers the impact of sustainability risks, including climate risk, on its strategy and business plan. However, the company is currently unable to determine the full future economic impact of climate risk on our business, and hence the potential impacts are not fully incorporated in these financial statements. However, based on the available evidence and its analysis to date, GIB UK does not consider it most likely that climate risk will have a material adverse impact on its financial statements in the short or medium term relative to current expectations.

Going concern

The Bank's management has performed an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue the business for at least 12 months from the date of signing the 2022 financial statements till 22 March 2025. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on a going concern basis.

Internal Capital Adequacy Assessment

Capital requirements are examined on a forward looking basis as part of Internal Capital Adequacy Assessment Process (ICAAP) by assessing the resilience of capital adequacy under hypothetical future plausible scenarios.

The ICAAP is approved by the Board. The ICAAP is used to form a view of capital adequacy separately to the minimum regulatory requirements. The ICAAP is used by the PRA to assess the Bank's specific capital requirements through the Pillar 2 framework. These assessments include assumptions about regulatory and accounting factors (such as IFRS 9). They are linked to economic variables and impairments and seek to demonstrate that the Bank maintain sufficient capital.

Liquidity risk monitoring

The Bank monitors, limit and stress test the risks on the balance sheet. Limit frameworks are in place to control the level of liquidity risk, asset and liability mismatches and funding concentrations. Liquidity risks are monitored and reported to the Asset & Liability Management Committee on a regular basis. Liquidity Indicators are monitored on a regular basis. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, the Bank maintains the Individual Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event.

Recovery and resolution planning

The Bank's recovery plan explains how the Bank would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimise the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities and escalation routes to minimise
Uncertainty or delay.
- Developing a recovery action plan to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.

The plan is intended to enable the Bank to maintain critical services to its institutional clients and operate within risk appetite while restoring the Bank's financial condition. It is assessed for appropriateness on an ongoing basis and is updated annually. The plan is reviewed and approved by the Board These plans detail the recovery options, recovery indicators and escalation routes for each entity.

Fire drill simulations of possible recovery events are used to test the effectiveness of the Bank's recovery plans on an annual basis. The fire drills are designed to replicate possible financial stress conditions and allow senior management to rehearse the responses and decisions that may be required in an actual stress. The results and lessons learnt from the fire drills are used to enhance the Bank's approach to recovery planning.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

1.1 New standards, interpretations and amendments

There are no new standards or amendments that are effective in the period which would have a material effect on the bank during 2023.

2 Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The financial statements of the Bank have been prepared in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historical cost basis, as modified by the measurement at fair value of derivative and trading financial assets as explained in more detail in the following accounting policies. In addition, assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in fair values attributable to the risk being hedged.

All amounts are rounded to the nearest thousands, unless stated.

2.1 Accounting estimates, judgements and assumptions

The preparation of financial statements in accordance with UK adopted international accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses Financial assets are evaluated for impairment on the basis set out in note 2.11.

(i) Significant judgements, estimates and assumptions

Fair value of financial instruments held at fair value

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty). For trading securities where the underlying securities are not listed, there are assumptions and judgements made based on the available information to determine the fair value of these securities.

(ii) Other judgements, estimates and assumptions

Pension assets and liabilities

Accounting for retirement benefit obligations involves a number of key assumptions which require management's estimate including the changes the actuary applies in the pension assumptions.

2 **Summary of material accounting policies (continued)**

2.2 Trade and settlement date accounting

All regular way purchases and sales of financial assets classified as FVTPL are recognised on the trade date, i.e. the date on which the Bank commits to purchase or sell the financial asset. All regular way purchases and sales of other financial assets are recognised on the settlement date, i.e. the date on which the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery within the time frame generally established by regulation or convention in the market place.

2.3 Foreign currencies

The reporting currency of the Bank is the US Dollar, representing the Bank's functional and presentation currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non- monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to USD at foreign exchange rates ruling at the dates the fair value was determined.

2.4 Offsetting

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Summary of material accounting policies (continued)

2.5 Recognition of interest income and expense

2.5.1. The effective interest method

Under IFRS 9, interest income is recorded using the effective interest method for all financial instruments measured at amortised cost. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

In calculating the EIR, cash flows are estimated taking into consideration all contractual terms of the financial asset or liability but excluding future credit losses. Fees, including loan origination fees and early redemption fees are included in the calculation of the EIR to the extent that they are considered to be an integral part of the EIR.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk such as modifications, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income from financial instruments measured at amortised cost in the income statement.

2.5.2 Interest income and expense from financial instruments measured at amortised cost

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income except when those financial instruments are subject fair value hedging, where it will be recognised as part of net interest income.

2.6 Net fee and commission income

Net fee and commission income comprises fees and commissions generated from discretionary funds under management (fixed income, equities and emerging market portfolios).

Performance fees are calculated as a percentage of the net appreciation of relevant fund products' net asset value at the end of a given contractual period. In accordance with the requirements of IFRS 15, performance fees are only recognised once GIBUK is contractually eligible and the fees can be measured reliably.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Management and other fees, which include all non-performance related fees on funds, are recognised in the period in which the services are rendered.

(i) Foreign exchange income

Foreign exchange income arises from earnings generated from customer business and from changes in fair value resulting from movements in exchange rates and other market variables.

2 Summary of material accounting policies (continued)

ii) Net Trading Income

Changes in fair value of trading securities and the total return swap used to hedge against the exposure of the trading securities and change in fair value derivatives under arbitrage (FX swaps) are included in net trading income, together with the related interest income and dividend income from trading securities. The bank enters into FX and IRS swaps to manage the exposure on investment securities.

2.7 Securities financing arrangements

Reverse repo transactions are included in the statement of financial position under "placements with banks". The difference between the sale price and repurchase price is accrued evenly over the life of the transaction and credited to the Income Statement within interest income from financial instruments measured at amortised cost.

2.8 Financial assets and liabilities

Financial assets and liabilities comprise all financial instruments reflected in the statement of financial position excluding non-financial instruments such as employee benefit plans, prepayments and property, plant and equipment.

Recognition and measurement

The Bank recognises financial assets and liabilities in the statement of financial position when, and only when, the Bank becomes party to the contractual provisions of the instrument.

As per IFRS 9, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets as FVTPL.

The Bank classifies and measures its derivatives and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 2.10 (ii) below.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All regular way purchases and sales of financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which the Bank commits to purchase or sell the financial asset or liability. All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

2.8 Financial assets and liabilities (continued)

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

i) Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest method if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the Financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of these two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL). The Bank does not have any financial assets FVOCI.

Additionally, even if a financial asset meets the amortised cost criteria, the Bank may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective. The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the assets' and business model's performance is evaluated and reported to key management personnel and Asset and Liability Committee (ALCO);
- How risks are assessed and managed.

- The frequency, volume and timing of sales in prior periods, the reasons for such sales and Bank's expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

2.8 Financial assets and liabilities (continued)

SPPI test

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin which is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- the currency in which the financial asset is denominated, and the period for which the interest rate is set;
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and e tension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period other than the reclassifications made on the initial adoption of IFRS 9 at the date of transition.

ii) Financial assets at fair value through the profit or loss (FVTPL)

Financial assets in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income.

The Bank's investments in funds and portfolio of securities are classified as financial assets at FVTPL (trading securities) in the statement of financial position.

iii) Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Bank can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:-

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- the irrevocable election is on an instrument-by-instrument basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the Income Statement.

iv) Financial liabiliti s at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest method.

2.9 Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which a provision is made for a 12-month ECL:

- debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other Financial instruments for which the credit risk has not increased significantly since their initial recognition.

2 Summary of material accounting policies (continued)

2.9 Impairment of financial assets (continued)

The Bank classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Bank recognises an allowance based on the 12-month ECL.
- Stage 2 and 3: for financial instruments where there has been a significant increase in credit risk since initial recognition , the Bank recognises an allowance for the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2 and 3) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and the present value of the recoverable amount at the reporting date.

Provisions for credit-impairment are recognised in the Income statement and are reflected in an allowance account against debt securities at amortised cost, and placements.

Financial assets are written off either partially or in their entirety after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other operating income.

Financial assets that are measured at amortised cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered, indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

2.10 Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

2 Summary of material accounting policies (continued)

2.10 Derecognition other than on a modification (continued)

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Bank neither transfers nor retains substantially all the risks and rewards of ownership, and the Bank has retained control of the transferred assets, the Bank applies continuing involvement approach. Under this approach, the Bank continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Bank.

The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Bank, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Bank when measured on a stand-alone basis, if the transferred asset is measured at fair value.

2.11 Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

2.12 Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount.

Generally, costs associated with the maintenance of existing computer software are recognised as an expense when incurred. However, expenditure that enhances and extends the benefits of computer software programs beyond their original specifications and lives is recognised as a capital improvement and capitalised as part of the software.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Leasehold improvements	Lower of 10 years or remaining life of lease
Furniture and fittings	5 years
Office machinery	4 – 5 years
Computer hardware	2 years
Computer software – project	1 – 5 years
Computer hardware – infrastructure	3 – 4 years

2 Summary of material accounting policies (continued)

2.13 Leases

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability has been presented within other liabilities in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer's ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2 Summary of material accounting policies (continued)

The right-of-use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss by reducing right of use asset.

2.14 Employee benefits

Short-term employee benefits such as salaries, paid absences and other benefits are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

The Bank contributes to defined benefit and defined contribution pension plans which cover substantially all its employees. The assets of the plans are held separately from those of the Bank in independently administered funds and are measured at market values.

Defined benefit plan

The service cost and the net interest on the net defined benefit obligation/asset are all charged (or credited) to the Income statement. The defined benefit obligation is measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The Bank recognizes all gains and losses immediately in the other comprehensive income section of the company's statement of comprehensive income.

As the Bank has an unconditional right to a refund of any surplus in the scheme following a gradual settlement of the liabilities over time, any surplus in the scheme can be recognised in full.

Management, in coordination with an independent qualified actuary, are required to make assumptions regarding the defined benefit pension plan. The principal actuarial assumptions for the defined benefit pension plan are set out in note 9 and include assumptions on the discount rate, return on pension plan assets, mortality, future salary increases, and inflation. Changes in the assumptions could affect the pension liability, service cost and net interest on the defined benefit liability.

As at 31 December 2023, the Company and the Trustees agreed to close the Defined Benefit Pension scheme to Active members essentially meaning the scheme has deferred members and pensioners going forward.

Defined contribution plan

The Bank's contributions to defined contribution pension plans are charged to the Income statement in the year to which they relate.

2 Summary of material accounting policies (continued)

2.15 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in a deferred tax asset or liability: a) the initial recognition of assets and liabilities that affect neither accounting nor taxable profit nor b) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.16 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.17 Fiduciary activities

The Bank administers and manages assets owned by clients which are not reflected in the financial statements. Asset management fees are earned for providing investment management services and for managing mutual fund products. Asset administration fees are earned for providing custodial services. Fees are recognised as the services are provided and are included in fee and commission income.

2.18 Dividends

Dividend income is recognised as follows:

- dividends from equity instruments classified as FVTPL are recognised when the right to receive the dividend is established and are included in trading income;
- dividends from equity instruments classified as FVTOCI are recognised when the right to receive the dividend is established and are included in other operating income.

2 Summary of material accounting policies (continued)

2.19 Derivatives and hedge accounting

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included in derivative financial assets and derivative financial instruments with negative fair values (unrealised losses) are included in derivative financial liabilities.

The changes in the fair values of derivative under arbitrage are included within the trading income.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either: (i) the fair value of a recognised asset or liability (fair value hedge), or (ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

The Bank's criteria for a derivative financial instrument to be accounted for as a hedge include:

- the hedging instrument, the related hedged item, the nature of the risk being hedged, and the risk management objective and strategy must be formally documented at the inception of the hedge,
- it must be clearly demonstrated that the hedge is expected to be highly effective in offsetting the changes in fair values or cash flows attributable to the hedged risk in the hedged item, including how the Bank will address the hedge ratio,
- the effectiveness of the hedge must be capable of being reliably measured, and
- there is an economic relationship between the hedging instrument and the hedged item and the effect of credit risk does not dominate the fair value changes of that relationship.

Fair value hedge

Changes in the fair values of derivative financial instruments that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk, are included in trading income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk that is being hedged. Unrealised gains and losses arising on hedged assets or liabilities which are attributable to the hedged risk are adjusted against the carrying amounts of the hedged assets or liabilities in the statement of financial position. If the hedge no longer meets the criteria for hedge accounting, any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to income over the remaining period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

2 Summary of material accounting policies (continued)

2.20 Fair value measurement

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs.

For all other instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

2.21 Investment in Group entities

Investment in Group entities are carried at cost less any accumulated impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

3 Cash and cash equivalents with other banks

	31.12.23	31.12.22
	US$ 000	US$ 000
Cash	15	17
Balances with central banks	14,777,317	5,175,033
Cash and balances with other banks	105,852	150,928
	14,883,184	5,325,978

4 Placements with banks

	31.12.23	31.12.22
	US$ 000	US$ 000
Remaining maturity 3 months or less but not repayable on demand	2,790,521	2,291,979
Remaining maturity over 3 months but less than 1 year	2,169,370	1,369,326
Remaining maturity over 1 Year but less than 2 years	-	-
Remaining maturity greater than 2 years	331,103	-
	5,290,994	3,661,305
Less: Allowance for impairment losses	(643)	(139)
Net placements	5,290,351	3,661,166

A total of $400.0m (2% of the balance sheet assets), relates to tri-party reverse repo transactions with the Parent (GIB BSC) (2022: $200mn, 2% of balance sheet assets) and a further $600.0m, 3% of balance sheet assets, relates to tri-party reverse repo transactions with other banking counterparties (2022: $100mn, 1% of balance sheet assets). The net exposure after credit mitigation on all of the tri-party reverse repo transactions amounted to $12.8m (2022: $1.2mn) of which $2.7m (2022: $Nil) was with GIB BSC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

4 Placements with Banks (continued)

4.1 Impairment allowance for placements with banks

The table below shows the credit quality and the maximum exposure to credit risk (before applying the impact of collateral mentioned above) based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

There have been no transfers to stage 1, 2 and 3 and no changes to contractual cash flows due to modification not resulting in derecognition.

31.12.23	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000
Investment grade 1-4	5,290,994	-	-	5,290,994
Sub-Investment grade (5-7)	-	-	-	-
Classified (8-10)	-	-	-	-
At 31 December	5,290,994	-	-	5,290,994

31.12.2022	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000
Investment grade 1-4	3,661,305	-	-	3,661,305
Sub-Investment grade (5-7)	-	-	-	-
Classified (8-10)	-	-	-	-
At 31 December	3,661,305	-	-	3,661,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

The aforementioned internal ratings (Investment grade, sub investment grade and classified) are explained in further details in note 20 (a). An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows

	Collective		Specific	2023
	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000
Gross carrying amount as at 1 January 2023	**3,661,305**	**-**	**-**	**3,661,305**
New asset originated or purchased	**5,029,682**	**-**	**-**	**5,029,682**
Asset de-recognised or repaid	**(3,399,993)**	**-**	**-**	**(3,399,993)**
Amounts written off	-	-	-	-
At 31 December 2023	**5,290,994**	**-**	**-**	**5,290,994**

	Collective		Specific	2,022
	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000
Gross carrying amount as at 1 January 2022	3,805,820	-	-	3,805,820
New asset originated or purchased	3,028,017	-	-	3,028,017
Asset de-recognised or repaid	(3,172,532)	-	-	(3,172,532)
Amounts written off	-	-	-	-
At 31 December 2022	3,661,305	-	-	3,661,305

	Collective		Specific	
	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000
At 1st January 2022	119	-	-	119
ECL provision/(reversal) for 2022	20	-	-	20
Gross carrying amount as at 31 December 2022	139	-	-	139
ECL provision/(reversal) during 2023	504	-	-	504
At 31 December 2023	**643**	**-**	**-**	**643**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

5 Trading securities

	Note	31.12.23	31.12.22
		US$ 000	US$ 000
Equity securities	29	111,752	73,490
Total trading securities		**111,752**	73,490

These trading securities do not have a contractual maturity. The increase in value from 2022 largely relates to the launch of a new fund, the GIB AM European Focus Fund. Trading securities represent investments in funds. These investments are controlled by GIB UK.

6 Financial investments other than those measured at FVTPL

Below is the analysis of Bank's financial investments other than those measured at FVTPL:

	31.12.23	31.12.22
	US$ 000	US$ 000
Sovereigns and Governments	**784,650**	826,293
Financial Institutions	**158,952**	113,346
Corporates	**26,030**	43,986
	969,632	983,625
Less: Allowance for impairment losses	**(189)**	(494)
	969,443	983,131

The above Financial Instruments are held to maturity and as such are valued in the Balance sheet at amortised cost. The Market Value of these Financial Instruments as at 31 December 2023 was $969.7m (2022:$968.5m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

6.1 Impairment allowance for financial investment other than those measured at FVTPL

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year- end stage classification. The amounts presented are gross of impairment allowances.

The aforementioned internal ratings (Investment grade, sub investment grade and classified) are explained in further details in note 20 (a). An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

				31.12.23	31.12.2022
	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000	Total US$ 000
Investment grade 1-4	969,443	-	-	**969,443**	983,625
Sub-Investment grade (5-7)	-	-	-	-	-
Classified (8-10)	-	-	-	-	-
At 31 December	969,443	0	0	969,443	983,625

The aforementioned internal ratings (Investment grade, sub investment grade and classified) are explained in further details in note 20 (a).

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follow s

	Stage 1 US$ 000	Stage 2 US$ 000	Stage 3 US$ 000	Total US$ 000
Gross carrying amount as at 1 January 2023	983,625	-	-	983,625
New asset originated or purchased	699,735	-	-	699,735
Asset de-recognised or repaid	(713,917)	-	-	(713,917)
Amounts written off		-	-	-
At 31 December 2023	**969,443**	**-**	**-**	**969,443**
Gross carrying amount as at 1 January 2022	1,002,191	-	-	1,002,191
New asset originated or purchased	539,810	-	-	539,810
Asset de-recognised or repaid	(558,376)	-	-	(558,376)
Amounts written off	-	-	-	-
At 31 December 2022	**983,625**	**-**	**-**	**983,625**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

	Collective provision		Specific provision	
	Stage 1	Stage 2	Stage 3	Total
	US$ 000	US$ 000	US$ 000	US$ 000
At 1st January 2022	375	-	-	**375**
ECL provision for 2022	119	-	-	119
At 31 December 2022	494	-	-	**494**
ECL provision for 2023	(305)	-	-	(305)
At 31 December 2023	189	-	-	189

7 Property, plant and equipment

	Leasehold improvements	Equipment	Total
Cost	US$ 000	US$ 000	US$ 000
As at 1 January 2023	12,768	22,884	35,652
Additions	291	217	508
As at 31 December 2023	13,059	23,101	36,160
Accumulated depreciation			
As at 1 January 2023	10,049	21,688	31,737
Depreciation charge	367	693	1,060
As at 31 December 2023	10,416	22,381	32,797
Net book value at 31 December 2023	2,643	720	3,363
Cost			
As at 1 January 2022	12,729	22,884	35,613
Additions	39	-	39
As at 31 December 2022	12,768	22,884	35,652
Accumulated depreciation			
As at 1 January 2022	9,721	20,805	30,526
Depreciation charge	328	883	1,211
As at 31 December 2022	10,049	21,688	31,737
Net book value at 31 December 2022	2,719	1,196	3,915

7.1 Impairment allowance for right of use assets

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets related to leased properties that do not meet the definition of investment property

	31.12.23	31.12.22
	US$ 000	US$ 000
Balance as at 1 January	25,740	28,260
Depreciation charge for the year on right of use assets.	(1,883)	(2,520)
Impairment	0	0
Balance at 31 December	23,857	25,740

7 Property, plant and equipment (continued)

Impairment of right of use assets
There has been no impairments recognised in the period.

ii) Profit and loss impact

Impact on profit or loss for the year ended 31 December 2023

	31.12.23	31.12.22
	US$ 000	US$ 000
Depreciation of right-of-use assets	**(1,883)**	(2,520)
Interest expense on lease liabilities	**(1,093)**	(1,125)
Exchange gains/(losses) on revaluation of lease liability	**(950)**	4,374
Increase/(Decrease) in profit for the year	**(3,926)**	729

The movement in the exchange loss is due to the weakening of the US Dollar against Pound sterling during the year.

iii) Bank as a lessor

GIB UK has a sublease on the property at One Curzon Street, London. The lease tenure is for 5 years. The lease includes a clause to enable upward revision of the rental charge on the 5th anniversary of the term. Rental income recognised during the year was $857,950 (2022: $ 631,550).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	31.12.23	31.12.22
	US$ 000	US$ 000
Within one year	**861**	689
Between 1 and 2 years	**861**	689
Between 2 and 3 years	**861**	689
Between 3 and 4 years	**71**	689
	2,655	2,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

8 Other assets

	31.12.23	31.12.22
	US$ 000	US$ 000
Prepayments and accrued income	3,926	3,858
Post-retirement benefit assets	58,621	55,236
Interest receivable	143,309	52,848
Overseas tax	3,782	2,966
Other	1,480	3,654
	211,118	118,562
Less: provision on overseas tax claim*	(3,782)	(2,966)
	207,336	115,596

The increase in interest receivable is due to the increase in placements.

* The provision is in relation to the with-holding tax claim from ZATCA (tax authority). Management has decided to recognise a provision considering the uncertainty associated with the recoverability of this asset given on-going claim.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

9 Employee benefits

The Bank contributes to defined benefit and defined contribution pension schemes which cover substantially all of its employees. A defined benefit pension scheme is maintained for employees employed prior to 1 January 2003. A defined contribution scheme is run for employees who joined the Bank from 1 January 2003.

a) Defined benefit plans

UK Scheme

The Scheme is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and the UK legislation (including Trust law). The Trustees have the power to set the contributions that are paid to the scheme, subject to the agreement of the Bank.

The Schedule of Contributions dated 16 July 2020, sets out the current contributions payable by the Bank to the Scheme. This was agreed as part of the Scheme's tri-annual valuation as at 31 December 2021. As part of the valuation process the Trustees and the Bank have agreed a long term funding strategy, which includes a revision to the Schedule of Contributions to take into account any additional contributions to meet any funding shortfall between the value of the Scheme's assets and liabilities.

Accounting for retirement benefit obligations involves a number of key assumptions which require management's judgement including the application of a 0% increase instead of the discretionary increase. The pension position for the current year has moved from a net asset position of $55.2m as at December 2022 to a net asset position of $58.6m. This is driven due to a reduction of both plan assets and defined benefit obligations.

As at 31 December 2023, the Company and the Trustees agreed to close the Defined Benefit Pension scheme to Active members essentially meaning the scheme has deferred members and pensioners going forward.

US Scheme

The Bank operates a funded defined benefit pension scheme for certain United States of America based employees which had obligations of $1.425mn (2022: $1.374mn) and assets of $1.538mn (2022: $1.308mn) at 31 December 2023, these figures are included in the figures below.

The amounts recognised in the statement of financial position were analysed as follows:-

	31.12.23	31.12.22
	US$ 000	US$ 000
Fair value of plan assets	**186,319.4**	174,353.9
Present value of defined benefit obligations	**(127,698.8)**	(119,117.8)
Net asset in statement of financial position	**58,620.6**	55,236.1

9 Employee benefits (continued)

a) Defined benefit plans

Changes in the present value of the defined benefit obligations were as follows:-

	31.12.23 US$ 000	31.12.22 US$ 000
Defined benefit obligation at start of year	**119,117.8**	198,988.0
Current service cost	**270.0**	469.0
Interest cost on defined benefit scheme obligation	**5,670.0**	3,348.0
Net remeasurement (gains)/losses - demographic	**(2,228.0)**	(157.0)
Net remeasurement (gains)/losses - financial	**2,720.0**	(69,197.0)
Net remeasurement (gains)/losses - experience	**1,812.0**	13,096.0
Benefits paid	**(5,610.0)**	(5,975.0)
Past service cost including curtailment	**(655.0)**	0.0
Exchange differences	**6,602.0**	(21,454.2)
Defined benefit obligation at end of year	**127,698.8**	119,117.8

Changes in the fair value of plan assets were as follows:-

	31.12.23 US$ 000	31.12.22 US$ 000
Fair value of the plan assets at start of year	**174,353.9**	244,356.0
Interest Income on scheme assets	**8,361.0**	4,106.0
Return on assets excluding amounts included in net interest	**(475.0)**	(47,063.0)
Employer Contributions	**453.0**	4,563.0
Benefits paid	**(5,610.0)**	(5,975.0)
Exchange differences	**9,236.5**	(25,633.1)
Fair value of the plan assets at end of year	**186,319.4**	174,353.9

There were $0.7m curtailments or settlements during the year.

The Group does not expect to make any contribution to the pension plan $ nil in the period ended 31 December 2024 (US$0.3mn)

Plan assets disclosure UK Scheme

	31.12.23 US$ 000	31.12.22 US$ 000
Hedge Fund	**25,021**	41,334
Equity instruments	**3,251**	33,159
LDI Fund	**123,337**	39,333
Cash	**1,787**	26,896
Debt instruments	**0**	0
Real estate	**31,550**	32,466

9 Employee benefits (continued)

The Scheme assets do not include any directly or indirectly owned financial instruments issued by Gulf International Bank (UK) Limited.

The nature of the Scheme exposes the Bank to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

Members living for longer than expected,

Higher than expected actual inflation and salary increase experience,

- The risk that movements in the value of scheme's liabilities are not met by corresponding movements in the value of the scheme's assets.

The amounts recognised in the statement of income were as follows:

	31.12.23	31.12.22
	US$ 000	US$ 000
Current service cost	**270**	469
Net Interest income/cost on net defined benefit scheme obligations/assets	**(3,247)**	(758)
Total	**(2,977)**	(289)

9 Employee benefits (continued)

Information about the defined benefit obligation:-

	Liability split		Duration (years)	
	31.12.23	31.12.22	31.12.23	31.12.22
Active members	**0%**	5%	**n/a**	19.8
Deferred members	**50%**	44%	**16.7**	16.6
Pensioners	**50%**	51%	**10.7**	10.8
Total	**100%**	100%	**13.8**	13.9

The principal actuarial assumptions used for accounting purposes were as follows:-

	31.12.23	31.12.22
Discount rate	**4.6%**	4.8%
Rate of salary increases	**3.0%**	3.0%
Retail Price Inflation (% p.a)	**3.1%**	3.2%
Consumer Price Inflation (% p.a)	**2.2%**	2.3%
Rate of pension increases (5% Limited Price Indexation)	**3.0%**	3.1%
Rate of pension increases (2.5% Limited Price Indexation)	**2.2%**	2.2%

Total life expectancy from age 60 at year end for (years)

	31.12.23	31.12.22
male aged 40	**27.9**	28.4
male aged 60	**27.3**	27.8
female aged 40	**30.5**	30.9
female age 60	**29.4**	29.8

Change in assumptions compared with 31 December actual assumptions

		Change in Actuarial value of Liabilities on 31 December 2023	Actuarial value of Liabilities on 31-Dec-2023
		US$ 000	US$ 000
Base Case			126,302
Discount rate	0.5 % decrease	Increase of 8,743	135,045
Life Expectancy	1 year increase	increase of 3,789	130,091
Inflation	0.5 % increase	increase of 4,232	130,534

The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the UK's Scheme's liabilities of the risks highlighted.

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Schemes' liabilities. There is no change in the method and assumptions used from the previous period.

The Scheme has a hedging portfolio (with a value of $123.4mn at 31 December 2023, 2022: $39.3mn) designed to hedge 100% of pure inflation risk and 57% of the interest rate risk.

The following are the expected payments from the defined benefit plan in future years:

	31.12.23 US$ 000	31.12.22 US$ 000
Within next 12 months	**6,137**	5,971
Between 2 and 5 years	**25,974**	25,315
Between 5 and 10 years	**36,739**	35,649
Beyond 10 years	**194,745**	203,882
Total expected payments	**263,595**	**270,817**

The average duration of the defined benefit plan obligation at the end of the reporting period is 13.8 years (2022: 13.9 years).

9 Employee benefits (continued)

Outside of this, the Trustees' current investment strategy, having consulted with the Bank, is to invest the vast majority of the Scheme's assets in a mix of equities, bonds and multi-asset funds, in order to strike a balance between; maximising the returns on the Scheme's assets and minimising the risks associated with the lower than expected returns on the Scheme's assets. The Trustees are required to regularly review their investment strategy in light of the revised term and nature of the Scheme's liabilities.

b) Defined contribution scheme

A defined contribution scheme was created for all employees who commenced employment with the Bank after 1 January 2003. Contributions are based on a percentage of salary. The amounts to be paid as retirement benefits are determined by reference to the amounts of the contributions and the investment earnings thereon. The total cost of contributions to the defined contribution pension plans for the year ended 31 December 2023 was $2.2m (2022: $2.4mn).

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 considered the implications of section 37 of the Pension Schemes Act 1993. Section 37 of the Pension Schemes Act 1993 only allowed the rules of contracted-out schemes in respect to benefits, to be altered where certain requirements were met.

The court decision is subject to appeal which is expected to be heard in 2024. There is also potential for legislative intervention following industry lobbying efforts that may retrospectively validate certain rule amendments. The Bank has no reason to believe that the relevant requirements were not complied with. Having consulted with its legal advisers, the Scheme’s Trustees have determined that there is no immediate need for action.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

10 Deposits from banks

	31.12.23	31.12.22
	US$ 000	US$ 000
Repayable on demand	**71,406**	20,389
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	**1,940**	345,864
- 1 year or less but over 3 months	**3,055**	4,712
	76,401	370,965

Deposits from banks includes $0.0m (2022: $250mn) from Gulf International Bank BSC.

11 Deposits from customers

	31.12.23	31.12.22
	US$ 000	US$ 000
Repayable on demand	**13,647,996**	2,095,638
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	**3,220,467**	4,247,153
- 1 year or less but over 3 months	**3,983,237**	2,980,637
	20,851,700	9,323,428

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

12 Other liabilities

	31.12.23 US$ 000	31.12.22 US$ 000
Interest payable	53,227	46,208
Accrued expenses	24,131	15,179
Other Liabilities	6,177	4,945
Lease liabilities (i)	30,352	31,558
	113,887	97,890

i) Lease Liabilities

Changes in liabilities arising from financing activities

	31.12.23 US$ 000	31.12.22 US$ 000
Lease liabilities as at 1 January	31,558	36,922
Finance cost	1,093	1,125
Foreign exchange impact	950	(4,374)
Less: cash flows in relation to the principal portion of the lease payments	(3,249)	(2,115)
Total as at 31 December	30,352	31,558

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2023

13 Share capital and reserves

The total number of authorised ordinary shares at 31 December 2023 was 480 million shares of $1 each (2022: 480 million shares of $1 each). The total number of issued ordinary shares at 31 December 2023 was 250 million shares of $1 each (2022: 250 million shares of $1 each). The capital contribution was $2,279,000 (2022: $2,279,000).

All issued ordinary shares are fully paid.

Capital contribution

The capital contribution was in relation to the 2018 GIB BSC's purchase of an underlying exposure at par on which the Bank had suffered a fair value decline.

Pension reserves

The surplus or a deficit on a defined benefit pension scheme results in an asset or a liability being recognised by the Bank, the recognition of the pension asset or liability results in the creation of a pension reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

14 Net interest income

	31.12.23 US$ 000	31.12.22 US$ 000
Interest income from financial instruments measured at amortised cost		
Interest on placements and other liquid assets	690,010	218,944
Interest on securities	12,918	3,626
Total	702,928	222,570
Net interest on derivative hedges	19,159	1,524
Finance cost on lease liabilities	(1,063)	(1,125)
Total	18,096	399
Interest expense from financial instruments measured at amortised cost		
Interest on deposits	(679,131)	(184,447)
Total interest expense	(679,131)	(184,447)
Net interest income	41,893	38,522

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

15 Net fee and commission income

	31.12.23 US$ 000	31.12.22 US$ 000
Fee and commission income:	3,732	2,092
Investment banking and management fees- Investment banking	1,069	969
Commissions on letters of credit and guarantee- Treasury and Banking	487	403
Total fee and commission income	5,288	3,464
Fee and commission expense:		
Brokerage	(341)	(366)
Commissions paid	(229)	(240)
Nostro charges	(1,303)	(730)
Total fee and commission expense	(1,873)	(1,336)
Net fee and commission income	3,415	2,128

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

16 Net trading income/ (loss)

	31.12.23 US$ 000	31.12.22 US$ 000
Equities and other trading income	**7,376**	1,842
Derivatives under Arbitrage	**38,975**	2,911
Net trading income/(loss)	**46,351**	4,753

Trading income included gain from seed investments in GIBUK's managed funds amounting to $15.3m(2022: $11.4m loss). GIBUK enters into derivative contracts to economically hedge the seed investments, the loss of those derivatives was $7.9m (2022: $13.2m gain). The gain on the revaluation of foreign exchange swaps was $39.0m (2022: $2.9m gain).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

17 Operating expenses and Auditors' remuneration

	31.12.23 US$ 000	31.12.22 US$ 000
Staff Costs	**37,984**	33,831
Premises	**842**	878
Depreciation	**1,060**	1,211
Depreciation on right of use assets	**1,883**	2,520
Other expenses	**15,575**	14,242
Operating expenses	**57,344**	52,682

Auditor's remuneration

Audit of these financial statements	**565**	404
Amounts receivable by the company's auditor and its associates in respect of:		
- further regulatory assurance related services	-	33
- audit related assurance services	44	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

18 Staff costs

	31.12.23 US$ 000	31.12.22 US$ 000
Salaries and wages	**27,801**	25,977
Social security costs	**3,966**	3,258
Pension costs:		
- Defined Contribution plans	**1,969**	2,736
- Defined Benefit plans	**269**	(289)
Other staff costs	**3,979**	2,149
Total staff cost	**37,984**	33,831

The average number of persons employed by the Bank during the year was 112 (2022: 101).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

19 Income tax expense

Recognised in the statement of comprehensive income

	31.12.23	31.12.22
	US$ 000	US$ 000
Current tax (credit)/charge:		
Current tax on income for the year	**5,531**	-
UK Corporation tax bank surcharge	**47**	-
Foreign exchange difference in relation to prior periods	**(15)**	109
Deferred tax charge:		
Deferred tax relating to the origination and reversal of temporary differences	**6,853**	1,549
Effect of Tax rate change	**431**	489
Adjustment in relation to prior years	**(233)**	(111)
Tax (credit)/charge	**12,614**	2,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

19 Income tax expense (continued)

b) Reconciliation of the total tax charge/(credit)

	31.12.23	31.12.23	31.12.22	31.12.22
		US$ 000		US$ 000
Profit/(Loss) before tax		52,494		9,146.0
Corporation tax using the domestic corporation tax rate	23.52%	12,347	19.00%	1,738
Non deductible expenses	0.0%	3	0.10%	9
Income not taxable for tax purposes	0.0%	-	(2.20%)	(199)
Fixed Asset Differences	0.0%	16	0.00%	-
Adjustment in relation to prior years - current tax	0.0%	2	0.00%	-
Bank surcharge	0.1%	47	0.00%	1
Adjustment in relation to prior years - deferred tax	(0.4%)	(233)	(1.20%)	(111)
Current Tax (prior period) exchange difference arising on movement between open/close spot rates	(0.0%)	(15)	1.20%	109
Remeasurement of deferred tax for changes in tax rates	0.8%	431	5.40%	489
Current Tax (current period) exchange difference arising on movement between opening and closing spot rates		16		
Foreign exchange difference/(revaluation)	0.0%	-	0.00%	-
Other Permanent Differences	0.0%	-	0.00%	2
Fixed Asset Differences	0.0%	-	0.00%	(1)
Total tax (credit)/charge		12,614		2,037
		24%		22%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

c) Deferred taxation

Movement in deferred tax	**31.12.23 US$ 000**	31.12.22 US$ 000
Deferred tax asset as at 1 January	**(5,032)**	(1,851)
Prior year adjustment to deferred tax (charge) / credit	**233**	111
Deferred tax movement through P&L (charge) / credit	**(6,853)**	(1,549)
Deferred tax movement through OCI (charge) / credit	**(86)**	(1,304)
Rate change adjustment in P&L (charge) / credit	**(431)**	(489)
Deferred tax included directly in equity	**(50)**	50
Deferred tax (liability)/asset as at 31 December	**(12,219)**	(5,032)

Recognised deferred tax (liability) (Net)	**31.12.23 US$ 000**	31.12.22 US$ 000
Pensions	**(14,135)**	(12,783)
Fixed Assets	**233**	217
Tax Losses	**1,558**	7,409
Deferred Remuneration	**125**	125
Recognised deferred tax (liability) (Net)	**(12,219)**	(5,032)

Unrecognised deferred tax asset (Gross)	**31.12.23 US$ 000**	31.12.22 US$ 000
Tax Losses	**-**	-

Corporation tax rate

On 1 April 2023, the corporation tax rate rose to 25%. Deferred tax has been recognised at 25%.

Further, on 27 October 2021, the UK Government announced its intention to decrease the banking surcharge rate from 8% to 3% and increase the surcharge allowance from £25 million to £100 million from 1 April 2023. This was substantively enacted on 2 February 2022. GIB UK was subject to the banking surcharge during 2023, due to it's increased profitability.

Pillar Two Model Rules

In December 2021, the Organisation for Economic Co-operation and Development (OECD) published detailed rules to assist in the development of a landmark reform to the international tax system, including "Pillar Two" model rules which will apply to multinational enterprises with consolidated annual revenues of more than €750 mn and which seek to impose a minimum effective tax rate of 15% on each tax jurisdiction in which those enterprises operate.

IAS 12 applies to income taxes arising from implantation of Pillar Two model rules, including tax law that implements Qualified Domestic Minimum Top up Taxes. However, given the uncertainty as to whether the Pillar Two model rules create additional temporary differences and at which rate temporary differences should be measured, on 23 May 2023, the IASB issued amendments to IAS 12 "Income Taxes" introducing a mandatory temporary exception to the requirements of IAS 12 under which a company does not recognise or disclose information about deferred tax assets and liabilities related to the proposed Pillar Two model rules which GIB UK has applied.

The GIB Group has performed an initial assessment of the Group's potential exposure to Pillar Two Income taxes based on the most recent information available regarding the financial performance of the constituent entities in the Group. Based on the assessment performed, the Pillar Two effective tax rates in all jurisdictions with enacted or substantially enacted legislation (with effect from 1st January 2024) which would give rise to a Pillar Two top up tax within the UK are above 15% and management is not currently aware of any circumstances under which this might change. Accordingly, GIB UK does not expect a potential exposure to Pillar Two top-up taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management

The principal risks associated with the Bank's business are credit risk, market risk, liquidity risk and operational risk.

The Bank's policy is to have a comprehensive risk management framework in place for managing and controlling these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. This includes limits covering nominal transaction sizes, individual counterparty, country and concentration limits, liquidity and maturity profiles and value at risk ("VaR") as well as policies and procedures to minimise the impact of operational risk.

The risk management framework incorporates an evaluation of risk appetite expressed in terms of formal risk limits, risk Oversight independent of business units, disciplined risk assessment and measurement including VaR methodologies and portfolio stress testing and risk diversification.

The Board of Directors sets the Bank's overall risk parameters and risk tolerances, and the significant risk management policies. Management has the responsibility for establishing and monitoring various limits for market and credit risk and for ensuring that the Bank's aggregate risk remains within Board guidelines. Such risks arising out of the Bank's business are monitored daily and risk limits are reviewed at regular intervals in the light of prevailing market conditions.

The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks. Periodic reviews by internal audit and regulatory authorities subject the risk management processes to additional scrutiny which help to further strengthen the risk management environment.

GIB (UK) has a dedicated Risk & Compliance function independent of business units headed by the CRCO and ensures that it has the necessary skills, expertise, and competency and authority to discharge its responsibilities.

The principal risks associated with the Bank's business and the related risk management processes are commented on below:

a) Credit risk

Credit risk represents the potential loss to the Bank when counterparty fails to meet its obligations. The Bank is exposed to credit risk from its Treasury lending activities in addition to other transactions involving both on and off balance sheet financial instruments and from the non-performance of counterparties and issuers. The Bank aims to have disciplined processes in place at both the business unit and corporate level that are intended to ensure that risks are accurately assessed and properly approved and monitored.

Under an intra-group service level agreement, the GIB BSC Credit Risk Management Function is responsible for monitoring credit risk against the limits determined by GIB (UK) management. Credit limits are applied at the individual counterparty, country and portfolio levels. The limit setting and monitoring processes involve an analysis of financial and other information about the counterparty, including credit ratings, collateral, if any, to be provided in the transaction and the duration of the transaction.

It monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a rating scale from 1 to 10, subject to positive (+) and negative (-) modifiers for rating grades 2 to 6. The internal credit rating is a measure of the credit-worthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium term, foreign currency credit exposure. The primary objectives of the internal credit rating system are to maintain a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits. Ratings are assigned to obligors,
rather than facilities, and reflect a medium term time horizon, thereby rating through an economic cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management (continued)

a) Credit risk (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative tests based on the movement of PDs and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators and expert credit assessment and inclusion of forward looking information.

Credit risk grades as aforementioned are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Therefore the risk of default occurring increases as the credit risk deteriorates i.e 2 and above, between 2- and 3+, between 3 and 4+, and 4 and below, are considered to be increase in credit risk where they have been downgraded 6 notches, 5 notches, 4 notches and 3 notches respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty.

The rating system is different for the Debt investment securities where the globally recognised international investment grades are used. These are considered to have low credit risk when their credit risk rating is equivalent to the globally understood definition of an investment grade rating or a debt investment security with similar credit risk characteristics.

Definition of default

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. For all other cases, in assessing whether a borrower is in default the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Parent's Chief Economist and consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

The Bank has identified economic factors such as the International Monetary Fund (IMF) trends in fiscal balances and GDP growth in key markets of the Kingdom of Saudi Arabia, United Arab Emirates and United States of America as well as the views of the Chief Economist. Given the nature of the Bank's exposures and availability of historical statistically reliable information, the Bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by Standard & Poor's (S&P) for each rating category. The Bank uses the Vasicek model to link the TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The Vasicek model takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data, the asset correlation of each rating category (as per the Basel IRB economic capital formula), and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

20 Risk management (continued)

a) Credit risk (continued)

Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates at a certain date and are calculated using Standard & Poor's recovery studies data after consideration of the contractual maturities of exposures and estimated prepayment rates and are derived using the Vasicek model.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12 month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the historical data of recovery rates of claims against defaulted counterparties using both internal and external factors.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank 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. At 31st December 2023, the probabilities assigned to the base case, negative case and positive case scenarios were in the ratio of 50:25:25 respectively (2022: 50:25:25)

Credit-impaired loans

Credit-impaired loans and advances are graded 8 to 10 in the Bank's internal credit risk grading systems.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management (continued)

a) Credit risk (continued)

Settlement risk

Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities, or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring process

Bank classification of asset and liabilities and their fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values

As at 31 December 2023

	FVTPL	Cash & Placement	Debt securities at amortised cost	Others	Total	Fair Value
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Cash and cash equivalents	-	14,883	-	-	14,883	14,883
Placements with banks	-	5,290	-	-	5,290	5,290
Investment Securities	-	-	969	-	969	970
Trading securities	112	-	-	-	112	112
Derivative financial assets	74	-	-	-	74	74
Other assets	-	-	-	235	235	235
	186	**20,173**	**969**	**235**	**21,563**	**21,564**
Deposits from banks	-	76	-	-	76	**76**
Deposits from customers	-	20,852	-	-	20,852	**20,852**
Derivative financial liabilities	50	-	-	-	50	**50**
Other liabilities		-	-	127	127	**127**
	50	**20,928**	**-**	**127**	**21,105**	**21,105**

As at 31 December 2022

	FVTPL	Cash & Placement	Debt securities at amortised cost	Others	Total	Fair Value
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
Cash and cash equivalents	-	5,326	-	-	5,326	5,326
Placements with banks	-	3,661	-	-	3,661	3,661
Investment Securities	-	-	983	-	983	983
Trading securities	73	-	-	-	73	73
Derivative financial assets	70	-	-	-	70	70
Other assets	-	-	-	147	147	147
	143	**8,987**	**983**	**147**	**10,260**	**10,260**
Deposits from banks	-	371	-	-	371	**371**
Deposits from customers	-	9,323	-	-	9,323	**9,323**
Derivative financial liabilities	44	-	-	-	44	**44**
Other liabilities		-	-	103	103	**103**
	44	**9,694**	**-**	**103**	**9,841**	**9,841**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management (continued)

a) Credit risk (continued)

The gross maximum exposure to credit risk before applying collateral, guarantees and other credit enhancements is the same as the carrying value. The collateral received in the reverse repo transactions is in the form of highly rated debt securities. These collateralised lending transactions are conducted under standardised terms that are usual and customary for such transactions. The securities held as collateral in the reverse repo deals were amounting to $992.6m (2022: $299.9mn).

Credit risk concentration

The Bank monitors concentrations of credit risk by geographic location. The geographical distribution of risk assets is set out below. An analysis of the credit risk in respect of foreign exchange and derivative financial instruments is set out in note 21

Geographic risk exposure

	Placements, cash & cash equivalents	Debt Securities at amortised cost & Trading securities	Credit - related contingent items	Others	Total exposure
	US$ 000	US$ 000	US$ 000	US$ 000	US$ 000
As at 31 December 2023					
GCC	2,204	44	-	62	2,310
Europe	7,321	134	-	240	7,695
North America	10,538	303	-	5	10,846
Asia	109	600	-	3	712
Oceania	-	-	-	-	-
Total	20,172	1,081	-	310	21,563
As at 31 December 2022					
GCC	1,402	66	-	14	1,482
Europe	6,932	84	-	200	7,216
North America	513	237	-	1	751
Asia	140	669	-	2	811
Oceania	-	-	-	-	-
Total	8,987	1,056	-	217	10,260

GCC refers to the Gulf Cooperation Council, a regional, intergovernmental political and economic union that consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

All the above exposures were neither past due nor impaired in the current year and prior ye ar.

The internal ratings map directly to the rating grades used by the international credit rating agencies as follov s:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management (continued)

a) Credit risk (continued)

Internal rating grade	Internal classification	External rating: Fitch and S&P	External rating: Moody's
Investment grade			
Rating grade 1	Standard	AAA	Aaa
Rating grade 2	Standard	AA	Aa
Rating grade 3	Standard	A	A
Rating grade 4	Standard	BBB	Baa
Sub-investment grade			
Rating grade 5	Standard	BB	Ba
Rating grade 6	Standard	B	B
Rating grade 7	Standard	CCC	Caa
Classified			
Rating grade 8	Substandard	CC	Ca
Rating grade 9	Doubtful	C	C
Rating grade 10	Loss	D	-

	31.12.23	31.12.23	Total
	Cash and Cash equivalents & Placements US$ 000	Debt Securities US$ 000	US$ 000
Stage 1 (12 Month ECL)			
Rating grades 1 to 4	20,173	969	21,142
Carrying value	20,173	969	21,142
Stage 2 (Life ECL but not credit-impaired)	-	-	-
Stage 3 (Life ECL and credit-impaired)	-	-	-
Total	20,173	969	21,142

	31.12.22	31.12.22	Total
	Cash and Cash equivalents & Placements US$ 000	Debt Securities US$ 000	US$ 000
Stage 1 (12 Month ECL)			
Rating grades 1 to 4	8,987	983	9,970
Carrying value	8,987	983	9,970
Stage 2 (Life ECL but not credit-impaired)	-	-	-
Stage 3 (Life ECL and credit-impaired)	-	-	-

Total	8,987	983	9,970

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management (continued)

a) Credit risk (continued)

The above analysis is reported net of the following ECL provisions for impairment:

	Cash and Cash equivalents & Placements	Debt Securities	
	US$ 000	US$ 000	US$ 000
Stage 1	139	494	633
Stage 2	-	-	0
Stage 3	-	-	0
	-	-	0
Total as at 31 Dec 2022	139	494	633
Stage 1 provisions during 2023	504	(305)	199
Total as at 31 December	643	189	832

b) Market risk

Derivative instruments are used as hedges against the risk of losses from mismatches in maturities, interest rates and currencies in relation to the asset and liabilities. FX forwards, interest and currency swaps agreements are most commonly used to this effect. Derivatives are also used as hedge against seed capital investments in equity and fixed income portfolios, Futures and Total Return Swaps are used to this effect. Net Open currency positions are relatively small and re-valued on a regular basis. Trading on the spot and forward foreign exchanges markets is mainly client driven.

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, instrument prices and market conditions. The Market risk arise from the Treasury activities and investments in GIB UK's own products

The Bank does not maintain material non-trading foreign currency open positions. In general, the Bank's policy is to match assets and liabilities in the same currency or to mitigate currency risk through the use of currency swaps. GIB UK monitors FX risk using historical VaR with a software called Murex. The FX VaR parameters are a 95% confidence interval, 21-day holding period, one-year lookback period and a decay factor of 0.97. During 2023 the monthly FX VaR was on average $142k at month-end, and year-and the FX VaR was $334k. The FX VAR numbers are unaudited.

GIB UK invests seed capital into its own investment funds to support them whilst they build a track record. Those are equity and fixed income investment funds and GIB hedges the investments using equity futures and total return swaps in order to mitigate the firm's sensitivity to changes in market prices. As the hedges do not always cancel profit or loss from the seed investment perfectly a residual profit or loss can result from the combination of seed investments and corresponding hedges. At year end there was a net gain of $6.9mn (2022 $1.7mn) relating to the funds performance .

20 Risk management (continued)

b) Market risk (continued)

Interest rate sensitivity gap analysis

As at 31 December 2023

	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years	Non-interest bearing items	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Assets								
Cash and cash equivalents	14,883	-	-	-	-		-	**14,883**
Placements with banks	2,791	899	1,271	-	331	-		**5,291**
Debt Securities at amortised cost	406	146	163	121	135	-		**969**
Property, equipment , ROA and other assets	-	-	-	-	-		419	**419**
Total assets	18,080	1,044	1,433	121	466	-	419	**21,563**
Liabilities & shareholder equity								
Deposits from banks	73	3	-	-	-	-	-	**76**
Deposits from customers	16,868	1,465	2,519	-	-	-	-	**20,852**
Other liabilities	-	-	-	-	-	-	177	**177**
Shareholder funds	-	-	-	-	-	-	458	**458**
Total liabilities & shareholder equity	16,942	1,468	2,519	-	-	-	635	**21,563**
On-balance sheet items	1,138	(424)	(1,085)	121	466	-	(216)	
Effect of derivatives (Interest Rate Swaps) held for risk management	77	342	120	(401)	(138)	-	-	
As at 31 December 2023								
Interest rate sensitivity gap	1,215	(81)	(965)	(280)	328	-	(216)	
Cumulative interest rate sensitivity	1,215	1,133	168	(112)	216	216	0	

Interest rate sensitivity gap analysis

As at 31 December 2022

	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	4 and 5 years		Non-interest bearing items	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn		US$ mn	US$ mn
Assets								
Cash and cash equivalents	5,326	-	-	-	-		-	**5,326**
Placements with banks	2,292	786	583	-				**3,661**
Debt Securities at amortised cost	91	305	173	270	144	-		**983**
Property, equipment and other assets	-	-	-	-	-		290	**290**
Total assets	7,709	1,091	757	270	144	-	290	**10,260**
Liabilities & shareholder equity								
Deposits from banks	369	2	-	-	-	-	-	**371**
Deposits from customers	6,343	2,332	648	-	-	-	-	**9,323**
Other liabilities	-	-	-	-	-	-	147	**147**
Shareholder funds	-	-	-	-	-	-	419	**419**
Total liabilities & shareholder equity	6,712	2,334	648	-	-	-	566	**10,260**
On-balance sheet items	997	(1,243)	109	270	144	-	(276)	
Effect of derivatives (Interest Rate Swaps) held for risk management	47	391	290	(259)	(469)	-	-	
As at 31 December 2022								
Interest rate sensitivity gap	1,044	(852)	399	11	(325)	-	(276)	
Cumulative interest rate sensitivity	1,044	192	591	601	276	276	1	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2023

20 Risk management (continued)

b) Market risk (continued)

Interest rate sensitivity gap analysis (continued)

A positive interest rate sensitivity gap exists when more assets than liabilities reprice during a given period. Although a positive gap position tends to benefit net interest income in an increasing interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within repricing periods and among currencies.

The more significant market risk-related activities of a non-trading nature undertaken by the Bank, the related risks associated with those activities and the types of derivative financial instruments used to manage and mitigate such risks are summarised as follows:-

Activity	Risk	Risk Mitigant
Fixed rate assets funded by floating rate liabilities	Sensitivity to increases in short-term interest rates	Pay fixed interest rate swaps
Investment in foreign currency assets	Sensitivity to strengthening of US$ against other currencies	Currency swaps
Expenses in foreign currency	Sensitivity to weakening of US$ against other currencies	Currency swaps

c) Liquidity risk

GIBUK's only material source of liquidity risk arises from its Treasury and Banking services business which involves taking deposits and placing these funds in the interbank market and money market instruments mainly for the same tenor as that on which they have been borrowed. The majority of deposits are provided by three depositors. In order to mitigate this funding concentration risk, customer deposits are largely placed in the market on a matched basis so that the withdrawal of any individual depositor would not adversely affect the overall liquidity position. Any liquidity gaps are covered by the placement of funds at Central Banks and other highly liquid assets. The monitoring of liquidity positions and customer concentration against both regulatory and internally set limits takes place on a daily basis and is formally reviewed on a weekly basis by Senior Management.

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Bank, even in adverse conditions. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet the current financial commitments but also to facilitate business expansion. The aim is to meet these objectives through the application of robust liquidity controls. These controls provide security of access to funds without undue exposure to increased costs from the liquidation of assets or the aggressive bidding for deposits. The Bank's liquidity controls add assurance that, over the short term, the future profile of cash flows from maturing assets is adequately matched to the maturity of liabilities. Liquidity controls also provide for the maintenance of a stock of liquid and readily realisable assets and a diversified deposit base in terms of both maturities and range of depositors. Stress tests are also performed on a monthly basis.

20 Risk management (continued)

The gross cash flows payable by the Group under financial liabilities, based on contractual maturity dates, was as follows:-

	Carrying amount	Gross nominal inflow / (outflow)	Within 3 months	4 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
As at 31 December 2023							
Deposits from banks	76	(76)	(73)	(3)	-	-	-
Deposits from customers	20,852	(20,852)	(16,869)	(3,983)	-	-	-
Other liabilities including Lease liabilities	126	(126)	(85)	(4)	(5)	(3)	(29)
Derivative financial instruments:					-	-	-
- contractual amounts payable	50	(50)	(50)	-	-	-	-
- contractual amounts receivable	(74)	74	74	-	-	-	-
Total undiscounted financial liabilities	21,030	(21,030)	(17,003)	(3,990)	(6)	(3)	(29)
As at 31 December 2022							
Deposits from banks	371	(371)	(366)	(5)	-	-	-
Deposits from customers	9,323	(9,324)	(6,343)	(2,981)	-	-	-
Other liabilities	103	(102)	(67)	(4)	(5)	-	(26)
Derivative financial instruments:					-	-	-
- contractual amounts payable	44	(44)	(44)	-	-	-	-
- contractual amounts receivable	(70)	70	70	-	-	-	-
Total undiscounted financial liabilities	9,771	(9,771)	(6,750)	(2,990)	(6)	-	(26)

A maturity analysis of derivative and foreign exchange instruments based on notional amounts is set out in note 21.

d) Operational risk

GIBUK endeavours to minimise operational risk by ensuring that a strong control infrastructure is in place throughout the organisation.

GIBUK has established a comprehensive Operational Risk Policy. As part of this Policy, a risk assessment exercise is performed which identifies the operational risks inherent in GIB (UK)'s activities, processes and systems. The controls in place to mitigate these risks are also reviewed to ensure their effectiveness. In addition, a database of measurable operational losses is maintained, together with a record of key risk indicators, which can provide an early warning of possible operational risk events.

To embed GIB (UK)'s operational risk objectives, each part of the business is required to continually identify, assess and manage its exposure to operational risk using a variety of approaches including:

· Operational Risk Event reporting: Each part of the business is required to systematically track operational risk loss data and document operational risk events in accordance with the Operational Risk Policy. These are monitored by the Business Risk Committee.

· Monitoring Key Risk Indicators: Key risk indicators (KRI) are warning signals, which enable Management to monitor and mitigate operational risks that are reaching levels of concern. KRIs allows GIB (UK) to identify breaches of risk appetite and potential events that may harm continuity of business activities. Each business unit is required to monitor KRIs for operational risk in accordance with guidelines developed by the Business Risk Committee.

20 Risk management (continued)

d) Operational risk

· Risk and Controls Self-Assessment: A comprehensive RCSA programme is undertaken covering both front office and support functions as well as the 2nd line of defence.

Tested contingency arrangements are also in place to support operations in the event of a range of possible disaster scenarios. The internal audit function makes regular independent appraisals of the control environment in all identified risk areas.

e) Currency risk

In general, the Bank's policy is to match financial assets and liabilities in the same currency or to mitigate currency risk through the use of currency swaps. Any open positions are relatively small. Trading on the spot and foreign exchange markets is primarily client driven. Below summary shows assets, liabilities and equities in foreign currencies. There were no significant derivative trading or foreign currency net open positions as either 31st December 2023 or 31st December 2022.

Balance sheet by currency:
31 December 2023

	$ MNs						
	USD	SAR	EUR	GBP	JPY	OTH	Total
Total Assets	13,714	457	1,487	5,145	566	194	**21,563**
Total Liabilities and Equity	16,995	456	786	3,295	-	31	**21,563**

Balance sheet by currency:
31st December 2022

	$ MNs						
	USD	SAR	EUR	GBP	JPY	OTH	Total
Total Assets	3,826	7	701	5,026	656	44	**10,260**
Total Liabilities and Equity	3,883	7	694	5,017	656	3	**10,260**

20 Risk management (continued)

f) Hedging

In order to mitigate this interest rate risk on its placement and fixed rate bonds, the Bank uses interest rate swaps. Changes in the fair values of derivative financial instruments that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk, are included in trading income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk that is being hedged.The hedging item is executed at the same time that the client-related transaction, the hedged item, is booked.The interest component of derivatives that are designated and qualify as fair value hedges is included in interest income or interest expense relating to the hedged item over the life of the derivative instrument.

Generally, the hedging item executed exactly matches the critical terms of the hedged item, that being the nominal value, currency, trade date and maturity date and hence the hedge ratio is expected to remain close to 100% /1:1. The hedging relationship is generally highly effective because the critical terms of the instruments match at inception and will remain effective throughout the contractual term of the derivative until maturity. The critical terms are reviewed every reporting date to ensure that the match persists.

The hedging relationship is tested at each reporting date by comparing the fair value of the hedging instrument with that of the hedged instrument. If, as a result of the testing, there is a deviation to the hedge ratio then ineffectiveness is recognised in the income statement. The hedging relationship is subsequently either rebalanced or discontinued in accordance with the Bank's Board-approved policies and procedures.

Further disclosure on the hedge accounting and its impact on the financial position and performance is set out in note 21

20 Risk management (continued)

g) Capital Management

Regulatory capital (un-audited)

The Bank's lead regulator, the Prudential Regulation Authority (PRA), sets and monitors capital requirements for the Group comprising of Bank and its subsidiaries as a whole.

In implementing current capital requirements, the PRA requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. Banking operations are categorised, as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's regulatory capital comprises tier 1 capital which includes share capital and retained earnings. The retained earnings comprise of audited profits that have been notified to the PRA in 2021. The current year profits are also included in retained earnings which will be subsequently included in the profit figures to the PRA after the completion of the audit.

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business, and to make effective and efficient use of capital provided by the ultimate parent.

The Group has put in place processes to monitor and manage the Bank's capital adequacy.

The Group's CET 1 capital position was as follows*:-

	As at 31 December	
	2023	2022
Tier 1 capital		
Share capital	250,000	250,000
Capital contribution	2,279	2,279
Retained earnings and other reserves	118,588	117,429
Pension Asset and other deductibles	(354)	(696)
Total tier 1 regulatory capital	370,514	369,012
Risk-weighted assets (unaudited)		
Credit risk	1,627,813	1,487,358
Market risk	5,203	2,332
Operational risk	85,961	76,868
Credit valuation adjustment	20,994	20,625
Total risk-weighted assets	1,739,971	1,587,183
Capital adequacy ratio (unaudited)	21.3%	23.2%

* Group's Tier 1 capital figure including the Bank's and its subsidiaries as per the regulatory return reported to the regulator.

20 Risk management (continued)

h) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by senior management.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of other banking requirements, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

i) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

· Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

· Level 2: Valuation techniques based on observable inputs, either directly - i.e. as prices - or indirectly - i.e. derived from prices. This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. This category also comprises instruments such as interest rate swaps and forward currency contracts, valued using data such as yield curves and exchange rates , requiring little management judgements.

· Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Trading Securities: the fair values of trading securities are based on quoted prices (Level 1) or valuation techniques (level 2 or 3). Investment in debt securities: the fair values of investment in debt securities are based on sourced prices from independent pricing vendors using valuation techniques (Level 1 and 2). Derivative financial instruments are valued using level 2 inputs, the values are modelled using market observable inputs and the value compared against the counterparty's valuation. Financial assets and financial liabilities not measured as fair value includes the following instruments: placements, loans and advances, cash and cash equivalents and deposits from customers and from banks are estimated at book value which is a reasonable approximation of their fair value.

20 Risk management (continued)

i) Fair value hierarchy (continued)

	As at 31 December 2023			
	US$ 000			
	Carrying amount	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Trading securities	111,752	111,443	-	309
Derivative financial assets	73,778	-	73,778	-
	185,530	111,443	**73,778**	**309**
Financial assets not measured at fair value				
Placements with Banks	5,290,351	-	5,290,351	-
Cash & cash equivalents	14,883,184	-	14,883,184	-
Debt securities at amortised cost	969,443	-	969,443	-
Other assets	234,556		234,556	
	21,377,534	-	**21,377,534**	-
Financial liabilities measured at fair value				
Derivative financial liabilities	**50,031**	**-**	**50,031**	-
Financial liabilities not measured at fair value				
Deposits from banks	76,401	-	76,401	-
Deposits from customers	20,851,700	-	20,851,700	-
Other liabilities including Lease liabilities	176,912	-	176,912	-
	21,105,013	**-**	**21,105,013**	**-**

	As at 31 December 2022			
	US$ 000			
	Carrying amount	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Trading securities	73,490	71,960	-	1,530
Derivative financial assets	69,607	-	69,607	-
	143,097	71,960	69,607	1,530
Financial assets not measured at fair value				
Placements with Banks	3,661,166	-	3,661,166	-
Cash & cash equivalents	5,325,978	-	5,325,978	-
Debt securities at amortised cost	983,131	-	983,131	-
Other assets	146,169		146,169	
	10,116,444	**-**	**10,116,444**	**-**
Financial liabilities measured at fair value				
Derivative financial liabilities	43,543		43,543	
Financial liabilities not measured at fair value				
Deposits from banks	370,965	-	370,965	-
Deposits from customers	9,323,428	-	9,323,428	-
Other liabilities including Lease liabilities	146,465	-	146,465	-
	9,840,858	**-**	**9,840,858**	**-**

During the year ended 31st December 2023, the value of investment securities whose measurement was determined by other valuation techniques (level 3 measurement) decreased by US0.24 million. The decrease principally comprised of the redemptions and also changes in assigned valuations.

The basis of the valuation for level 3 trading securities is the net asset value released by the fund. However the underlying are the trade finance self-maturing facilities. Therefore it has been categorised as level 3. The fair value of the loans including any impaired loans are estimated at the recoverable amount, measured as the present value of the future cash flows discounted based on the fund's discount rate used within the fair value model. This model also considers all potential recovery outcomes, and weight the likelihood of occurrence of each outcome.

The fair valuation of the loans has a direct impact on the net asset value of the fund. All of the assumptions applied are in line with management's judgment based on expected outcome of recovery.

No transfers out of the level 3 measurement classification occurred during the years ended 31st December 2023 and 31st December 2022. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the years ended 31st December 2023 and 31st December 2022.

21 Derivatives and foreign exchange instruments

The Bank utilises derivative and foreign exchange instruments to meet the needs of its customers, to generate trading revenues and as part of its asset and liability management ("ALM") activity to hedge its own exposure to market risk.

The tables set out below provide further information about the derivative instruments entered into by the Bank at the reporting date:-

- their contract or underlying principal amounts and year end fair values
- their replacement cost, netting fair values as appropriate
- their residual maturity analysis

	At 31 December 2023			As at 31 December 2022		
	Contract or underlying principal amount	Fair value positive	Fair value negative	Contract or underlying principal amount	Fair value positive	Fair value negative
	US$ Mn	US$ Mn	US$ Mn	US$ Mn	US$ Mn	US$ Mn
Exchange rate contracts	3,897	55	(42)	3,864	42	(39)
TRS	73	-	(3)	37	-	(2)
Interest rate contracts	3,110	19	(4)	4,957	27	(3)
Futures	30	-	(1)	25	-	-
Total	**7,110**	**74**	**(50)**	**8,883**	**69**	**(44)**

Residual maturity analysis of contracts with a positive fair value:-

	31.12.23		31.12.2022	
	Contract or underlying principal amount	Replacement cost	Contract or underlying principal amount	Replacement cost
	US$ Mn	US$ Mn	US$ Mn	US$ Mn
Less than 1 year	6,570	55	8,155	26
2 and 3 years'	401	-	259	4
4 and 5 years'	138	-	469	-
Total	**7,109**	**55**	**8,883**	**30**

Fair value hedge

In the table below, the Bank sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year

As at 31 December 2023		Carrying amount	Accumulated fair value adjustment
		US$ mn	US$ mn
Assets			
Investment securities	A	218	7
Bank placements	B	1,644	9
Liabilities			
Customer deposits	C	1,249	-
		3,111	16

As at 31 December 2022		Carrying amount	Accumulated fair value adjustment
		US$ mn	US$ mn
Assets			
Investment securities	A	200	11
Bank placements	B	1,948	(17)
Liabilities			
Customer deposits	C	2,809	(1)
		4,957	(7)

The corresponding statement of financial position line items, where the hedged item and the cumulative fair value changes are recorded, include:

A- Debt securities at amortised cost

B- Placements with banks

C- Deposits from customers

21 Derivatives and foreign exchange instruments (continued)

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Bank's statement of financial position:

As at 31 December 2023	Notional Amount	Assets	Liabilities
	US$ mn	US$ mn	US$ mn
Interest rate contracts	3,110	10	(4)
Total	**3,110**	**10**	**(4)**

As at 31 December 2022	Notional Amount	Assets	Liabilities
	US$ mn	US$ mn	US$ mn
Interest rate contracts	4,957	-	(7)
Total	**4,957**	**-**	**(7)**

The fair value of hedging instruments used as the basis for recognising gains and losses in the income statement relating to fair value hedging relationships were as follows:

31st December 2023		Gain / (losses) attributable to hedged risk		Hedge ineffective n ess
		Hedged item	Hedging instrument	
		US$ mn	US$ mn	US$ mn
Hedged items	**Hedging instruments**			
Investment securities	Interest rate contracts	4.00	(4.0)	-
Bank placements	Interest rate contracts	(26.00)	26.0	-
Customer deposits	Interest rate contracts	(1.0)	1.0	-
		(23.0)	**23.0**	**0.0**

31 December 2022		Gain / (losses) attributable to hedged risk		Hedge ineffective n ess
		Hedged item	Hedging instrument	
		US$ mn	US$ mn	US$ mn
Hedged items	**Hedging instruments**			
Investment securities	Interest rate contracts	(17.0)	17.0	-
Bank placements	Interest rate contracts	16.0	(16.0)	-
Customer deposits	Interest rate contracts	1.0	(1.0)	-
		0.0	**0.0**	**0.0**

21 Derivatives and foreign exchange instruments (continued)

The maturity profile of the Bank's hedging instruments is, as follows:

	As at 31 December 2023				
Notional amounts	**Year 1 US$ mn**	**Year 2 & 3 US$ mn**	**Years 4 &5 US$ mn**	**Over 5 years US$ mn**	**Total US$ mn**
Fixed rate asset products	1,322	401	138	0	1,861
Fixed rate liability products	1,248	0	0	0	1,248
	2,570	**401**	**138**	**0**	**3,109**

	As at 31 December 2022				
Notional amounts	**Year 1 US$ mn**	**Year 2 & 3 US$ mn**	**Years 4 &5 US$ mn**	**Over 5 years US$ mn**	**Total US$ mn**
Fixed rate asset products	1,548	133	469	0	2,150
Fixed rate liability products	2,807	0	0	0	2,807
	4,355	**133**	**469**	**0**	**4,957**

22 Maturities of assets and liabilities

The asset and liability maturities are based on contractual repayment arrangements and as such do not take account of the effective maturities of deposits as indicated by the Bank's deposit retention records. Formal liquidity controls are nevertheless based on contractual asset and liability maturities.

As at 31 December 2023

	Within 3 months US$ mn	4 months to 1 year US$ mn	2 and 3 years US$ mn	4 and 5 years US$ mn	Over 5 years US$ mn	Total US$ mn
Assets						
Cash and cash equivalent	14,883	-	-	-	-	**14,883**
Placements with banks	2,791	2,169	331	-	-	**5,291**
Debt securities at amortised cost	406	308	121	135	-	**970**
FVTPL-Trading securities	112	-	-	-	-	**112**
Derivatives	59	7	3	5	-	**74**
Property, equipment ROA and other assets	60	-	-	-	172	**233**
Total assets	18,311	2,484	455	140	172	**21,563**
Deposits from banks	73	3	-	-	-	**76**
Deposits from customers	16,868	3,983	-	-	-	**20,852**
Derivatives	44	3	2	1	-	**50**
Other liabilities including Lease liabilities & Tax	85	4	5	3	30	**127**
Shareholder funds	-	-	-	-	458	**458**
Total liabilities & shareholder equity	17,071	3,993	7	4	488	**21,563**

As at 31 December 2022

	Within 3 months US$ mn	4 months to 1 year US$ mn	2 and 3 years US$ mn	4 and 5 years US$ mn	Over 5 years US$ mn	Total US$ mn
Assets						
Cash and cash equivalent	5,326	-	-	-	-	**5,326**
Placements with banks	2,291	1,370	-	-	-	**3,661**
Debt securities at amortised cost	91	478	270	144	-	**983**
FVTPL-Trading securities	73	-	-	-	-	**73**
Derivatives	70	-	-	-	-	**70**
Property, equipment ROA and other assets	61	-	-	-	86	**147**
Total assets	7,912	1,848	270	144	86	**10,260**
Deposits from banks	366	5	-	-	-	**371**
Deposits from customers	6,342	2,981	-	-	-	**9,323**
Derivatives	44	-	-	-		**44**
Other liabilities including Lease liabilities & Tax	67	4	5	-	27	**103**
Shareholder funds	-	-	-	-	419	**419**
Total liabilities & shareholder equity	6,819	2,990	5	-	446	**10,260**

23 Contingent liabilities

There is no outstanding contingent liabilities as at the year-end 31 December 2023 (2022: Nil)

24 Related party transactions

Directors' emoluments	**31.12.23**	**31.12.22**
	US$ 000	**US$ 000**
Aggregate emoluments	4,133	2,211
Highest paid director		
Aggregate emoluments	2,415	1,231

Key management personnel compensation	**31.12.23**	**31.12.22**
	US$ 000	**US$ 000**
Salaries and other short-term benefits	10,135	6,491
	10,135	6,491

The Bank implemented a new deferred compensation scheme during 2021 which is available to certain key management personnel and could make awards in three to five year's if certain key performance criteria are met. These awards are not guaranteed although a provision has been made for them in the 2023 financials.

A listing of the members of the Board of Directors is shown on page 3 of the annual report

Pension fund

The Bank provides some administrative services to the defined benefit pension plan (see note 9).

Group undertakings

The Bank's immediate parent and the sole-shareholder is GIB BSC (the "Parent"), a company incorporated in Bahrain and it is ultimately owned by the Public Investment Fund (the "ultimate parent" or "PIF") a sovereign wealth fund owned by the Saudi Arabia Government. The Bank also has balances with the subsidiary companies listed in note 27. The management believes all transactions are carried out on arm's length basis.

The table below provides the balances that the Bank has with its parent and subsidiaries and the transactions included in the statement of comprehensive income:

24 Related party transactions (continued)

	31.12.23	31.12.23	31.12.22	31.12.22
	US$ 000 Immediate Parent	US$ 000 Subsidiaries	US$ 000 Immediate Parent	US$ 000 Subsidiaries
Statement of financial position				
Cash and cash equivalents	84		-	
Placements with banks	447,657		200,000	
Deposits from customers	-		-	
Other assets	11,703		2,982	
Deposits from banks	-		(250,000)	
Derivative financial asset	25		-	
Other liabilities	(9,328)		(4,397)	
Statement of comprehensive income				
Interest income	11,144		3,843	
Interest expense	(18,362)		(5,989)	
Intercompany recharges (net)	(1,554)		(2,317)	

The Bank is recharged by its Parent company and its subsidiary for support services provided. These amounts are agreed annually in advance on a fixed charge.

25 Fiduciary activities

The Bank conducts investment management and other fiduciary activities on behalf of clients. Assets held in trust or in a fiduciary capacity are not assets of the Bank and accordingly have not been included in the financial statements. The aggregate amount of the funds concerned at 31 December 2023 was $6.0bn (2022: $9.4bn).

26 Other operating Income / (loss)

	31.12.23	31.12.22
	US$ 000	US$ 000
Foreign exchange gain/(loss)	(1,422)	4,374
Provision on overseas tax	0	209
Gain on sale of investment securities	0	16
Rent received	858	0
Other	169	202
Interest on pension	3,247	0
	2,852	4,801

27 Investment in Group entities

The Bank is a wholly owned subsidiary of Gulf International Bank BSC (the parent Company).

Gulf International Bank BSC is a Bahraini Shareholding Company incorporated in the Kingdom of Bahrain by Amiri Decree Law No. 30 dated 24 November 1975 and is registered as a conventional wholesale bank with the Central Bank of Bahrain. The registered office of the immediate parent company is located at Al-Dowali Building, 3 Palace Avenue, Manama, Kingdom of Bahrain. The financial statements of the immediate parent company can be obtained from the aforementioned address.

The standalone financial statements of the Bank do not include the financial statements of the subsidiary listed in the table below.

Group entities

Subsidiaries

			Ownership interest %	
Name	**Location**	**Principal Activity**	**2023**	**2022**
SIB Portfolio Advisors Inc.***	USA**	Investment Advisor	100	100

** registered address: 330 Madison Avenue, New York, NY 10017, United States of America
*** SIB Portfolio Advisors Inc is a dormant entity.

28 Segmental information

The Bank does not present segmental analysis in accordance with IFRS 8, as neither its debt nor equity securities are publicly traded, and nor is it in the process of issuing equity or debt securities in the public securities markets.

29 **Investment in investment companies**

	31.12.23	31.12.22
	Fair value	Fair value
	US$ 000	US$ 000
- GIB AM Sustainable World Fund	23,720	20,697
- Global Trade Finance Opportunities Fund Limited	309	1,642
- GIB AM Emerging Markets Active Fund	30,075	24,953
- GIB AM Sustainable World Corporate Bond Fund	28,815	26,310
- GIB AM European Focus Fund	28,833	-
Total investment in investment companies	**111,752**	**73,602**

These investments are controlled by GIB UK and included in trading securities in the statement of financial position.

The GIB AM Sustainable World Fund is based in Ireland. It is an Undertaking for the Collective Investment in Transferable Securities (UCITS). All the other GIB AM funds are based in Ireland.

The Global Trade Finance Opportunities Fund is based in Ireland It is managed by a board of three non-executive directors, two of whom are an independent Ireland residents and one of whom is an employee and director of GIBUK and UK resident. As at the reporting date, the net assets of the fund were $1.3mn (2022: $3.6mn). GIB (UK) has concluded that all the funds are neither a subsidiary nor an associate and are therefore carried at fair value through profit and loss.

The Bank's holdings are as follows:-

	Launch date	31.12.23	31.12.22
- GIB AM Sustainable World Fund **	September 2021	50.8%	51.3%
- Global Trade Finance Opportunities Fund Limited *	July 2017	42.4%	40.7%
- GIB Emerging Markets Active Fund **	August 2022	47.8%	49.9%
- GIB Sustainable World Corporate Bond Fund **	September 2022	49.8%	100.0%
- GIB AM European Focus Fund	January 2023	99.4%	N/A

*registered address: 2nd Floor 2 Custom house plaza, harbourmaster place, IFSC Dublin. D01 V9V4 Ireland

**registered address: One George's Quay Plaza, George's Quay, Dublin, Ireland

30 **Subsequent events**

There have been no material post balance sheet events.

Contact

info@gibam.com

T: +44 (0) 20 7259 3456

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