Gulf International Bank (UK) Limited
Consolidated Financial Statements
31 December 2014

Contents

Strategic report

Gulf International Bank (UK) Limited ("GIBUK" or "the Bank") is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and the Financial Conduct Authority as a deposit taking bank and is also permitted to manage investments, provide custody services and to deal in investments as principal. The Group's principal operations are carried out in London, with a branch in New York.

GIBUK is a wholly owned subsidiary of Gulf International Bank BSC ("GIB BSC") (registered in Bahrain), which is owned by the Public Investment Fund of Saudi Arabia (97.2%) and the governments of Kuwait (0.7%), Qatar (0.7%), Bahrain (0.4%), Oman (0.4%) and UAE (0.4%).

Business activity

During 2014, the Bank's principal business activity was focused on client related activities in Treasury and Asset Management.

The Treasury activity consists of taking deposits from institutional clients based primarily in the GCC and placing those funds in short dated money market instruments. It also provides Foreign Exchange services for clients.

The Asset Management business consists of the management of equity and fixed income discretionary portfolios for institutional clients based in the GCC. It also manages an Emerging Markets Fund which is established as a separate legal entity.

Business development

All business lines maintained steady levels of volume in the year. At 31 December 2014, deposits from customers and banks had decreased 1% during the year from $5.4bn to $5.3bn. Assets under management decreased 2% during the year to $12.8bn from $13.0bn, and the Emerging Markets fund Net Asset Value increased 17% from $286mn at the start of the year to $333mn at the end.

Results for the year

The consolidated profit after tax for the year amounted to $13.3mn (2013: $13.5mn). The directors do not recommend a payment of a dividend for 2014 (2013: $nil).

Risks

Appetite for risk in GIBUK is determined by its UK board of directors within the context of Group risk parameters defined by the board of GIB BSC in Bahrain. Management in London then applies a framework of limits and authorities covering the trading, investing and credit activities of the Bank. Monitoring of risk on a day-to-day basis is the responsibility of the various control departments.

Credit risk arises from GIBUK's interbank placements. The credit risk within the Bank's banking book has increased due to an increase in interbank exposures with a residual maturity of more then 3 months and a reduction in the value of reverse repo placements.

Interbank placements make up 68% (2013: 74%) of total assets and are mainly short-term placements with highly rated Western European, US, Australian or Japanese banks. The Bank retains some exposure to the larger banks in the Middle East. The Bank held $91mn of Government bills at 31 December 2014 (2013: $1,126mn). During the year, for liquidity purposes, GIBUK opened a Reserve account with the Bank of England and the balance as at 31 December 2014 was $1,355mn.

Geographically, the Bank's total credit exposure at year-end is to Europe, 64% (2013: 51%); North America, 6% (2013: 17%); Asia, 7% (2013: 8%), the GCC, 23% (2013: 23%) and Other MENA Nil (2013:1%). The GCC exposure arising mainly from interbank placements. A total of $53mn, 1% of credit exposure, relates to tri-party reverse repo transactions with GIB BSC (2013: $90mn, 2% of credit exposure) and a further $1,305mn, 24% of credit exposure, relates to tri-party reverse repo transactions with other banking counterparties (2013:$1,743mn, 31%). The net exposure after credit mitigation on all of the tri-party reverse repo transactions amounted to $43mn of which $nil was with GIB BSC.

Liquidity risk arises from interest rate gapping undertaken by the Treasury business which results in a mismatch in maturing assets and liabilities. However the mismatches arising are covered by a buffer of high quality liquid assets.

Market risk exposure in GIBUK's trading and investment portfolios is controlled through a framework of limits, encompassing both VaR and non-VaR parameters. VaR is measured daily, using the Monte Carlo Method, with a 95% confidence level, a one-year observation period, and a one-month holding period.

Total diversified VaR at year-end 2014 was $0.7mn, that is 0.3% of equity (2013: $0.4mn, 0.1% of equity). The minimum, maximum and average VaR in 2014 were $0.3mn, $0.7mn and $0.4mn respectively (2013: $0.2mn, $1.6mn and $0.6mn). The VaR mainly arises from interest rate risk from money markets and in strategic equity investments in funds managed by GIBUK.

Operational risk the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. GIBUK endeavours to minimise operational risk by ensuring that a strong control infrastructure is in place throughout the organisation.

GIBUK's Operational Risk Management Framework ("ORMF") is in line with regulatory requirements. As part of the ORMF, a comprehensive risk assessment exercise is performed which identifies the operational risks inherent in GIBUK'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 GIBUK'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:

Risk event reporting

Each part of the business is required to systematically track operational risk loss data and document operating events in accordance with ORMF. These are monitered by the Operational Risk Committee.

Monitoring Key Risk Indicators

A Key Risk Indicator (KRI) is a parameter used to manage a risk event based on its severity and likelihood. Each business unit is required to monitor KRIs for operational risk in accordance with guidelines developed by the Operational Risk Committee.

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements of Gulf International Bank (UK) Limited ("GIBUK" or "the Bank") and its subsidiaries ("the Group"), for the year ended 31 December 2014.

Directors

The directors at the date of this report are:
Yahya bin Abdullah Alyahya (Chairman)
Andrew Sykes
Matthew C Snyder
Julian P Anthony
John Xefos
Mark Watts (appointed 12 November 2014)
Abdulla Al-Zamil (appointed 9 December 2014)

Jose Marigomen (resigned 31 July 2014) was a director during the year.

No director was at 31 December 2014, or at any time during the year then ended, beneficially interested in any shares of the parent or any subsidiary of the parent.

Directors and officers liability insurance

Directors and officers liability insurance is maintained for the benefit of the Group and its directors and officers.

Going concern

The Group's business activities together with the factors likely to affect its future development, performance and position are set out in the business review on pages 1 to 2. The Group'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 Group's liquidity and capital positions at 31 December 2014.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Political and charitable donations

The Group did not make any political or charitable donations during the year.

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 Group'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 Group's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

JPAnthony

By Order of the Board
Julian P Anthony
Secretary
4 March 2015

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

The directors are responsible for preparing the strategic and directors' reports and business review, and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 group and parent company and of their profit or loss for that year. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Gulf International Bank (UK) Limited

We have audited the financial statements of Gulf International Bank (UK) Limited for the year ended 31 December 2014 set out on pages 7 to 47. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company'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 company's members those matters we are required to state to them in an auditors' 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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our Opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Gulf International Bank (UK) Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

SAMER HIJAZI

Samer Hijazi (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square
London
E14 5GL
4 March 2015

(all amounts in USD thousands unless otherwise stated)

Consolidated statement of financial position

	Note	Year ended 31 December 2014	2013
ASSETS			
Cash and cash equivalents	*3*	1,691,167	1,204,431
Placements with banks	*4*	3,859,754	4,306,695
Loans and advances		-	77,261
Trading securities	*5*	27,657	27,257
Property and equipment	*7*	1,984	873
Other assets	*8*	93,956	156,326
Total assets		**5,674,518**	**5,772,843**
LIABILITIES			
Deposits from banks	*10*	359,557	246,095
Deposits from customers	*11*	4,977,653	5,117,351
Other liabilities	*12*	61,928	141,445
Total liabilities		**5,399,138**	**5,504,891**
EQUITY			
Capital and reserves attributable to the company's equity holders			
Share capital	*13*	250,000	250,000
Retained earnings		34,008	20,674
Reserves		(8,628)	(2,722)
Total equity		**275,380**	**267,952**
Total liabilities and equity		**5,674,518**	**5,772,843**

The consolidated financial statements were approved by the Board of Directors on 4 March 2015 and signed on its behalf by :-

Yahya bin Abdullah Alyahya
Chairman

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

(all amounts in USD thousands unless otherwise stated)

Parent statement of financial position

The statement of financial position of Gulf International Bank (UK) Limited was as follows:-

	Note	Year ended 31 December	
		2014	**2013**
ASSETS			
Cash and cash equivalents	*3*	1,691,167	1,204,431
Placements with banks	*4*	3,859,754	4,306,695
Loans and advances		13	77,300
Investment in group entities	*27*	377	2
Trading securities	*5*	27,657	27,257
Property and equipment	*7*	1,984	873
Other assets	*8*	93,956	156,326
Total assets		**5,674,908**	**5,772,884**
LIABILITIES			
Deposits from banks	*10*	359,557	246,095
Deposits from customers	*11*	4,978,061	5,117,410
Other liabilities	*12*	61,910	141,427
Total liabilities		**5,399,528**	**5,504,932**
EQUITY			
Share capital	*13*	250,000	250,000
Retained earnings		34,008	20,674
Reserves		(8,628)	(2,722)
Total equity		**275,380**	**267,952**
Total liabilities and equity		**5,674,908**	**5,772,884**

The consolidated financial statements were approved by the Board of Directors on 4 March 2015 and signed on its behalf by :-

Yahya bin Abdullah Alyahya
Chairman

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

(all amounts in USD thousands unless otherwise stated)

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2014	2013
Interest income		29,000	23,233
Interest expense		(16,034)	(10,393)
Net interest income	*14*	12,966	12,840
Net fee and commission income	*15*	20,822	16,772
Dividend income		-	23
Net trading income	*16*	772	2,619
Recovery of impairment of available-for-sale securities	*6*	438	74
Foreign exchange		7,219	9,295
Other operating income	*26*	867	5
Operating expenses	*17*	(29,749)	(28,111)
Profit before income tax		13,335	13,517
Income tax expense	*19*	(1)	(3)
Net profit for the year		**13,334**	**13,514**
Other comprehensive income net of income tax			
Cash flow hedges net fair value gains/(losses)		(343)	-
Pension reserve		(5,563)	5,195
Other comprehensive income net of income tax		**(5,906)**	**5,195**
Total comprehensive income		**7,428**	**18,709**
Profit attributable to:			
Equity holders of the parent		**13,334**	**13,514**
Total comprehensive income attributable to:			
Equity holders of the parent		**7,428**	**18,709**

Of the Group profit attributable to ordinary shareholders, $13,334 (2013: $13,514) has been dealt with in the accounts of the Parent Company. As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the Parent Company has not been presented.

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

(all amounts in USD thousands unless otherwise stated)

Consolidated statement of changes in equity

	Attributable to equity holders of the company				
	Share capital	Pension reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 January 2013	250,000	(7,917)	-	7,160	249,243
Arising in the year:-					
- Pension reserve	-	5,195	-	-	5,195
Total other comprehensive income	-	5,195	-	-	5,195
Net profit for the year	-	-	-	13,514	13,514
Total comprehensive income for the year	-	5,195	-	13,514	18,709
Balance at 31 December 2013	250,000	(2,722)	-	20,674	267,952
Arising in the year:-					
- Cash flow hedges net fair value losses	-	-	(343)	-	(343)
- Pension reserve	-	(5,563)	-	-	(5,563)
Total other comprehensive income	-	(5,563)	(343)	-	(5,906)
Net profit for the year	-	-	-	13,334	13,334
Total comprehensive income for the year	-	(5,563)	(343)	13,334	7,428
Balance at 31 December 2014	250,000	(8,285)	(343)	34,008	275,380

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

(all amounts in USD thousands unless otherwise stated)

Parent statement of changes in equity

	Attributable to equity holders of the company				
	Share capital	Pension reserve	Hedging reserve	Retained earnings	Total equity
Balance at 1 January 2013	**250,000**	**(7,917)**	**-**	**7,160**	**249,243**
Arising in the year:-					
- Pension reserve	-	5,195	-	-	5,195
Total other comprehensive income	-	5,195	-	-	5,195
Net profit for the year	-	-	-	13,514	13,514
Total comprehensive income for the year	-	5,195	-	13,514	18,709
Balance at 31 December 2013	**250,000**	**(2,722)**	**-**	**20,674**	**267,952**
Arising in the year:-					
- Cash flow hedges net fair value losses	-	-	(343)	-	(343)
- Pension reserve	-	(5,563)	-	-	(5,563)
Total other comprehensive income	-	(5,563)	(343)	-	(5,906)
Net profit for the year	-	-	-	13,334	13,334
Total comprehensive income for the year	-	(5,563)	(343)	13,334	7,428
Balance at 31 December 2014	**250,000**	**(8,285)**	**(343)**	**34,008**	**275,380**

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

(all amounts in USD thousands unless otherwise stated)

Consolidated statement of cash flow

	Note	Year ended 31 December 2014	2013
Operating cash flows from operating activities			
Net profit for the year		13,334	13,514
Adjustments for:			
Depreciation of property and equipment	*7*	718	1,740
Income tax expense	*19*	(1)	(3)
Cash flow hedges net fair value (losses)		(343)	-
		13,708	**15,251**
Change in accrued interest receivable		(1,599)	1,805
Change in accrued interest payable		1,881	375
Change in other net assets (Including movements to pension reserve)		(22,992)	(17,218)
Change in trading securities		(400)	7,053
Change in placements with banks		446,941	(117,117)
Change in loans and advances		77,261	(77,261)
Change in deposits from banks		113,462	(155,868)
Change in deposits from customers		(139,698)	1,097,950
Income tax paid		1	3
Net cash from operating activities:		**488,565**	**754,973**
Cash flows from investing activities			
Net purchase of property and equipment	*7*	(1,829)	-
Net cash used in investing activities		**(1,829)**	**-**
Net increase in cash and cash equivalents		**486,736**	**754,973**
Cash and cash equivalents at beginning of year		1,204,431	449,458
Cash and cash equivalents at end of year	*3*	**1,691,167**	**1,204,431**

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

(all amounts in USD thousands unless otherwise stated)

Parent statement of cash flow

	Note	Year ended 31 December 2014	2013
Operating cash flows from operating activities			
Net profit for the year		13,334	13,514
Adjustments for:			
Depreciation of property and equipment	*7*	718	1,740
Income tax expense	*19*	(1)	(3)
Cash flow hedges net fair value (losses)		(343)	-
		13,708	**15,251**
Change in accrued interest receivable		(1,599)	1,805
Change in accrued interest payable		1,881	375
Change in other net assets (including movements to pension reserve)		(22,992)	(17,218)
Change in trading securities		(400)	7,053
Change in placements with banks		446,941	(117,117)
Change in loans and advances		77,287	(77,238)
Change in deposits from banks		113,462	(155,868)
Change in deposits from customers		(139,349)	1,097,927
Income tax paid		1	3
Net cash from operating activities:		**488,940**	**754,973**
Cash flows from investing activities			
Investment in subsidiary		(375)	-
Net purchase of property and equipment	*7*	(1,829)	-
Net cash used in investing activities		**(2,204)**	**-**
Net increase in cash and cash equivalents		**486,736**	**754,973**
Cash and cash equivalents at beginning of year		1,204,431	449,458
Cash and cash equivalents at end of year	*3*	**1,691,167**	**1,204,431**

The notes on pages 14 to 47 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Gulf International Bank (UK) Limited is registered in the UK, registration number 1223938, of registered address: 1 Knightsbridge, London SW1X 7XS. The parent's principal operations are carried out in London, with a branch in New York. The parent is regulated by the Financial Services Authority. In these financial statements, "Group" refers to the parent and all its subsidiaries.

The Pillar 3 disclosure is available at http://www.pillar3.eu/gib0900508.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Standards and interpretations issued but not yet effective

IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2018 financial statements and could, change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to the income statement at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is currently in the process of evaluating the potential effect of this standard. Given the nature of the Group's operations, this standard is not expected to have a pervasive impact on the Group's financial statements.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated 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 Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments and pension assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

2.2 Consolidation principles

The consolidated financial statements include the accounts of Gulf International Bank (UK) Limited and its subsidiaries. Subsidiary undertakings are companies and other entities, including special purpose entities, which the Bank controls. The Bank controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All intercompany balances and transactions, including unrealised gains and losses on transactions between Group companies, have been eliminated.

2.3 Trade and settlement date accounting

All regular way purchases and sales of financial assets held for trading are recognised on the trade date, i.e. the date on which the Group 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.

2.4 Foreign currencies

The reporting currency of the Group is the US Dollar. 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 statement of other comprehensive income. 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.

2.5 Offsetting

Financial assets and liabilities are only offset and the net amount reported in the consolidated 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.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies (continued)

2.6 Derivatives

Transactions are undertaken in derivative financial instruments (derivatives), which include interest rate swaps and FX forward contracts.

Derivatives classified as cash flow hedges are those entered into for the purpose of matching or eliminating risk from potential movements in foreign exchange rates in the Group's expense base.

2.7 Interest income and expense

Interest income on loans and advances are credited to the statement of comprehensive income on an accruals basis unless collection of principal or interest is uncertain. Interest expense is calculated on the effective interest rate basis.

2.8 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) and fees and commissions received directly from fund products.

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 IAS 18, performance fees are only recognised once they can be measured reliably and payment is certain. As this amount can only be measured once the amounts are agreed with the client, performance fees are booked on a received basis.

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

2.9 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 charged or credited to the statement of comprehensive income within interest income or expense, as appropriate.

2.10 Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Purchases and sales of investments are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flow from the financial assets have expired or where the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading; and those at fair value through profit or loss at inception. A financial asset is classified as fair value through profit or loss if it is held primarily for the purpose of selling in the short term, or if it is so designated by management subject to certain criteria.

The assets are recognised initially at fair value and transaction costs are taken directly to the statement of other comprehensive income. Interest and dividends on assets within this category are reported in interest income and dividend income respectively. Gains and losses arising from changes in fair value are included directly in the statement of comprehensive income within net trading income.

Derivatives are also classified in this category unless they have been designated as hedges.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies (continued)

2.10 Financial assets (continued)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Investments that are held as part of the Group's investment portfolio are carried in the statement of financial position at fair value even though the Group may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which allows investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IFRS9, with changes in fair value recognised in the statement of comprehensive income in the period of the change.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as available-for-sale. They arise when the Group provides money or services directly to a customer with no intention of trading the loan. Loans and receivables are initially recognised at fair value including direct and incremental transaction costs, and are subsequently carried on an amortised cost basis.

Available-for-sale

Available-for-sale securities are non-derivative financial investments that are designated as available-for-sale and are not categorised into any of the other categories described above. Available-for-sale securities are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Available-for-sale securities are initially recognised at fair value including direct and incremental transaction costs. They are subsequently held at fair value. Gains and losses arising from changes in fair value are included as a separate component of equity until sale when the cumulative gain or loss is transferred to the statement of comprehensive income.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The amount of the loss is recognised using an allowance account and the amount of the loss is included in the statement of comprehensive income.

The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

In calculating the effective interest rate, the Group estimates cash flows (using projections based on its experience of customers' behaviour) considering all contractual terms of the financial instrument but excluding future credit losses.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the statement of comprehensive income.

2.11 Investment in funds

The Group's investments in funds are classified into trading securities in the Group's statement of financial position and, where appropriate, the net asset value of the individual funds have been consolidated in the Group accounts.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies (continued)

2.12 Impairments

It is Group policy to make provisions for impairment of financial assets to reflect the losses inherent in those assets at the reporting date.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a portfolio of financial assets is impaired. A financial asset or portfolio of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events. The events occurred after the initial recognition of the asset ('a loss event') and that loss event or events has had an impact such that the estimated present value of future cash flows is less than the current carrying value of the financial asset, or portfolio of financial assets.

The Group writes off an investment debt security balance, and any related allowances for impairment losses, when the Group determines that the security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the issuer's financial position such that the issuer can no longer pay the obligation.

2.13 Property 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 monthly, using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Leasehold improvements	Lesser 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

2.14 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 Group has a present obligation to its employees that can be measured reliably.

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

The Group 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 Group in independently administered funds and are measured at market values.

Defined benefit plan

In accordance with IFRS, the current service cost and the net interest on defined benefit obligation/asset are all charged (or credited) to the statement of comprehensive income. 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 Group recognizes all gains and losses immediately in the other comprehensive income section of the company's income statement.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies (continued)

2.14 Employee benefits (continued)

IFRIC14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction was adopted by the Group for the year ending 31 December 2008. As the Group 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.

Defined contribution plan

The Group's contributions to defined contribution pension plans are charged to the statement of comprehensive income in the year to which they relate.

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 statement of comprehensive income 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 or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing 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 and 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 provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantially 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 consolidated 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. The Group does not include bank placements that are by their nature held for investment purposes.

2.17 Fiduciary activities

The Group administers and manages assets owned by clients which are not reflected in the consolidated 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

Dividends payable are not recognised until they have been declared and approved by the shareholders at the Annual General Meeting. Dividends receivable are accounted for on a cash basis.

Dividends on available-for-sale equity securities are recognised in the statement of comprehensive income when the entity's right to receive payment is established. Impairment losses and translation differences on monetary items are recognised in the statement of comprehensive income.

Notes to the consolidated financial statements (continued)

2. Summary of significant accounting policies (continued)

2.19 Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense, over the term of the lease.

2.20 Cash flow hedges

All derivatives are carried at fair value in the statement of financial position and the accounting treatment of the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, the Group designates certain derivatives as either hedges of probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

When a financial instrument is designated as a hedge, the Group formally documents the relationship between the hedging instrument and hedged item as well as its risk management objectives and its strategy for undertaking the various hedging transactions.

The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group discontinues hedge accounting when:

a) it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
b) the derivative expires, or is sold, terminated, or exercised;
c) the hedged item matures or is sold or repaid; or
d) a forecast transaction is no longer deemed highly probable.

The effective portion of changes in the fair value of these derivatives that are designated and qualify as cash flow hedges is recognised initially directly in shareholders' equity, and recycled to the statement of other comprehensive income in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the statement of comprehensive income immediately.

To the extent that the changes in the fair value of the hedging derivative differ from changes in the fair value of the hedged risk in the hedged item; or the cumulative change in the fair value of the hedging derivative differs from the cumulative change in the fair value of expected future cash flows of the hedged item, the hedge is deemed ineffective. The amount of ineffectiveness, (taking into account the timing of the expected cash flows, where relevant) provided it is not so great as to disqualify the entire hedge for hedge accounting, is recorded in the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the statement of comprehensive income when the forecast transaction arises. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

In certain circumstances, the Group may decide to cease hedge accounting even though the hedge relationship continues to be highly effective by no longer designating the financial instrument as a hedge.

2.21 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.

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

3. *Cash and cash equivalents*

	Consolidated		Parent	
	Year ended 31 December		Year ended 31 December	
	2014	2013	2014	2013
Cash	10	16	10	16
Balances with central banks	1,357,551	407	1,357,551	407
Government bills and securities	90,723	1,125,700	90,723	1,125,700
Cash and balances with other banks	242,883	78,308	242,883	78,308
	1,691,167	1,204,431	1,691,167	1,204,431

4. Placements with banks

	Consolidated		Parent	
	Year ended 31 December		*Year ended 31 December*	
	2014	2013	2014	2013
Remaining maturity 3 months or less but not repayable on demand	2,583,164	3,422,932	2,583,138	3,422,932
Remaining maturity over 3 months but less than 1 year	1,225,590	832,763	1,225,616	832,763
Certificates of deposit	51,000	51,000	51,000	51,000
	3,859,754	4,306,695	3,859,754	4,306,695

A total of $53mn (2013:$90mn) relates to reverse repo transactions with Gulf International Bank BSC, of this $nil (2013: $nil) is included in 3 months or less and $53mn (2013: $90mn) is included in over 3 months but less than 1 year. The net credit exposure on these reverse repo's is $nil (2013: $nil). A further $71mn (2013: $38mn) has been placed with Gulf International Bank BSC of this $40mn (2013: $38mn) is included in 3 months or less and $31mn (2013: $nil) is included in over 3 months but less than 1 year.

A total of $1,305mn (2013: $1,743mn) relates to reverse repo transactions with other banking counterparties, for which the net credit exposure is $43mn (2013: $87mn).

5. Trading securities

Trading securities comprise equity securites and consequently do not have a contractural maturity as detailed in note 30.

6. Impairment of available-for-sale securities

The available-for-sale (AFS) securities are 100% impaired, the following is the breakdown of impairment of AFS securities.

	Consolidated		Parent	
	Year ended 31 December		Year ended 31 December	
	2014	2013	2014	2013
As at 1 January	16,170	15,980	11,171	10,981
Recoveries	(438)	(74)	(438)	(74)
Exchange differences on monetary assets	(726)	264	(726)	264
As at 31 December	15,006	16,170	10,007	11,171

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

7. *Property and equipment*

	Consolidated and Parent		
	Leasehold Improvements	Equipment	Total
Cost			
As at 1 January 2014	7,282	14,991	22,273
Additions	1,159	670	1,829
As at 31 December 2014	8,441	15,661	24,102
Accumulated depreciation			
As at 1 January 2014	7,225	14,175	21,400
Depreciation charge	71	647	718
As at 31 December 2014	7,296	14,822	22,118
Net book value at 31 December 2014	**1,145**	**839**	**1,984**
Cost			
As at 1 January 2013	7,282	14,991	22,273
Additions	-	-	-
As at 31 December 2013	7,282	14,991	22,273
Accumulated depreciation			
As at 1 January 2013	7,065	12,595	19,660
Depreciation charge	160	1,580	1,740
As at 31 December 2013	7,225	14,175	21,400
Net book value at 31 December 2013	**57**	**816**	**873**

8. Other assets

	Consolidated		Parent	
	Year ended 31 December		Year ended 31 December	
	2014	2013	2014	2013
Derivative financial assets	78,024	136,980	78,024	136,980
Prepayments and accrued income	15,232	16,038	15,232	16,038
Post-retirement benefit asset (Note 9)	-	2,652	-	2,652
Overseas tax	269	201	269	201
Other	431	455	431	455
	93,956	156,326	93,956	156,326

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

9. Employee benefits

The Group contributes to defined benefit and defined contribution pension schemes which cover substantially all 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 31 March 2014 sets out the current contributions payable by the Bank to the Scheme. This was agreed as part of the Schemes triennial valuation as at 1 January 2013. As part of the valuation process the Trustees and the Bank have agree a long term funding strategy, which includes a revision to the Schedule of Contribution to take into account any additional contributions to meet any funding shortfall between the value of the Scheme's assets and liabilities.

US Scheme

The Group operates a funded defined benefit pension scheme for certain US based employees which had obligations of $1,107 (2013: $952) and assets of $1,066 (2013: $1,028) at 31 December 2014, these figures are included in the figures below.

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

	Year ended 31 December	
	2014	2013
Present value of defined benefit obligations	216,834	198,374
Fair value of plan assets	(214,578)	(201,026)
Net liability / (asset) in consolidated statement of financial position	**2,256**	**(2,652)**

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

9. Employee benefits (continued)

a) Defined benefit plans (continued)

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

	Year ended 31 December	
	2014	*2013*
Defined benefit obligation at start of year	198,374	180,138
Current service cost	885	740
Interest cost on defined benefit scheme obligation	8,617	7,936
Net remeasurement (gains)/losses - demographic	-	(7,388)
Net remeasurement (gains)/losses - financial	25,951	7,216
Net remeasurement (gains)/losses - experience	51	8,342
Benefits paid	(4,331)	(3,438)
Exchange differences	(12,713)	4,828
Defined benefit obligation at end of year	216,834	198,374

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

	Year ended 31 December	
	2014	2013
Fair value of the plan assets at start of year	201,026	176,808
Interest Income on scheme assets	8,775	7,855
Return on assets excluding amounts included in net interest	20,907	13,373
Employer Contributions	792	1,359
Benefits paid	(4,331)	(3,438)
Exchange differences	(12,591)	5,069
Fair value of the plan assets at end of year	214,578	201,026

There were no material curtailments or settlements during the year.

The Group expects to contribute $0.8mn to the pension plans in the period ended 31 December 2015

Information about the defined benefit obligation:-

	Liability split		Duration (years)	
	2014	2013	2014	2013
Active members	12%	11%	24	25
Deferred members	58%	57%	24	25
Pensioners	30%	32%	15	15
Total	100%	100%	21	22

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

	Year ended 31 December	
	2014	2013
Current service cost	885	740
Net Interest cost on net defined benefit scheme obligations/assets	(158)	81
Total included in staff expenses	727	821

The service cost is based on a pay roll of $2.3mn.

The Group meets the Scheme's expenses directly (including PPF levy) and as such, these have not been included in the service cost.

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

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

	Year ended 31 December	
	2014	**2013**
Discount rate	3.55%	4.40%
Rate of salary increases	3.00%	3.00%
Inflation RPI	3.10%	3.40%
Inflation CPI	2.10%	2.40%
Rate of pension increases (5% LPI)	3.05%	3.30%
Rate of pension increases (2.5% LPI)	2.15%	2.25%

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

	Year ended 31 December	
	2014	**2013**
male aged 40	30.3	30.2
male aged 60	28.7	28.6
female aged 40	32.6	32.4
female age 60	30.3	30.2

The fair value of plan assets in each category:-

	Year ended 31 December	
	2014	**2013**
Hedge fund	76,295	61,546
Equity instruments	71,127	67,924
LDI fund	41,519	25,668
Cash	1,221	11,960
Debt instruments	24,416	33,928

All Scheme assets have quoted prices in active markets. 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 increased experience,
- The risk that movements in the value of Scheme's liabilities are not met by corresponding movements in the value of the Schemes assets

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

Sensitivity analysis:-

Change in assumptions compared with 31 December actual assumptions		**Change in Actuarial value of Liabilities on 31 December 2014**
Discount rate	0.1 % increase	Decrease of 4,372
Life Expectancy	1 year increase	Increase of 6,472
Inflation	0.1% increase	Increase of 2,668
Salary growth	0.1% increase	Increase of 234

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.

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

The Scheme has a hedging portfolio (with a value of USD41.5mn at 31 December 2014) designed to hedge 75% of pure inflation risk and 50% of the interest rate risk. 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 Group 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 2014 was $793 (2013: $728).

10. Deposits from banks

	Consolidated		Parent	
	Year ended 31 December		Year ended 31 December	
	2014	2013	2014	2013
Repayable on demand	359,557	246,095	359,557	246,095
	359,557	**246,095**	**359,557**	**246,095**

11. Deposits from customers

	Consolidated		Parent	
	Year ended 31 December		Year ended 31 December	
	2014	2013	2014	2013
Repayable on demand	1,240,705	1,483,740	1,241,113	1,483,799
With agreed maturity dates or periods of notice, by remaining maturity:				
- 3 months or less but not repayable on demand	3,180,107	3,153,354	3,180,107	3,153,354
- 1 year or less but over 3 months	556,841	480,257	556,841	480,257
	4,977,653	**5,117,351**	**4,978,061**	**5,117,410**

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

12. Other liabilities

	Consolidated Year ended 31 December		Parent Year ended 31 December	
	2014	2013	2014	2013
Creditors and accruals	8,481	8,068	8,463	8,050
Derivative financial liabilities	51,191	133,377	51,191	133,377
Post-retirement benefit liabilities (Note 9)	2,256	-	2,256	-
	61,928	141,445	61,910	141,427

13. Share capital

The total number of authorised ordinary shares at 31 December 2014 was 480 million shares of $1 each (2013: 480 million shares of $1 each).

The total number of issued ordinary shares at 31 December 2014 was 250 million shares of $1 each (2013: 250 million shares of $1 each).

All issued ordinary shares are fully paid.

14. Net interest income

	Year ended 31 December	
	2014	2013
Interest income		
Interest on placements and other liquid assets	28,093	20,451
Interest on securities	907	2,782
Total interest income	29,000	23,233
Interest expense		
Interest on deposits	(15,318)	(10,098)
Net interest on derivative hedges	(716)	(295)
Total interest expense	(16,034)	(10,393)
Net interest income	12,966	12,840

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

15. Net fee and commission income

	Year ended 31 December	
	2014	2013
Fee and commission income:		
Investment banking and management fees	20,873	16,217
Custody fees	56	62
Commissions on letters of credit and guarantee	540	530
Other fee and commission income	452	824
Total fee and commission income	**21,921**	**17,633**
Fee and commission expense:		
Brokerage	(589)	(464)
Commissions paid	(316)	(219)
Nostro charges	(194)	(178)
Total fee and commission expense	**(1,099)**	**(861)**
Net fee and commission income	**20,822**	**16,772**

16. Net trading income

Equities and other trading income of $772 (2013: $2,619) included gains from seed positions in GIBUK managed funds as disclosed in note 30.

17. Operating expenses and auditor's remuneration

	Year ended 31 December	
	2014	2013
Staff costs (Note 18)	16,277	15,533
Premises	5,782	4,375
Depreciation (Note 7)	718	1,740
Other expenses	6,972	6,463
	29,749	**28,111**
Auditor's remuneration		
Audit of these financial statements	171	166
Amounts receivable by the company's auditor and its associates in respect of:		
- further regulatory assurance related services	50	27
- audit of the financial statements of subsidiaries of the company	31	23
- audit related assurance services	44	43
- other assurance services	37	48
- other non audit services	16	-

Amounts receivable by the company's auditor and its associates in respect of the audited financial statements of the associated pension schemes is $20 (2013: $20)

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

18. Staff costs

	Year ended 31 December	
	2014	2013
Salaries and wages	10,062	10,210
Social security costs	1,332	1,372
Pension costs:		
- defined contribution plans (Note 9)	793	728
- defined benefit plans (Note 9)	727	821
Other staff costs	3,363	2,402
	16,277	15,533

The average number of persons employed by the Group during the year was 60 (2013: 59).

19. Income tax expense

a) Recognised in the statement of comprehensive income

	Year ended 31 December	
	2014	2013
Current tax charge:		
Current tax on income for the year	-	-
Overseas taxation	1	3
Total current tax charge	1	3
Deferred tax	-	-
Total tax charge in the statement of income	1	3

b) Reconciliation of effective tax rate

		Year ended 31 December		
		2014		2013
Profit before tax		13,335		13,517
Corporation tax using the domestic corporation tax rate	21.5%	2,867	21.5%	3,143
Non deductible expenses	0.1%	14	0.1%	21
Capital allowances less than depreciation	(1.4%)	(191)	(1.4%)	112
Other temporary differences	(3.7%)	(493)	(3.7%)	(151)
Net taxable items in equity	0.0%	-	0.0%	-
Other taxable items - transitional FV adjustment	0.4%	57	0.4%	62
Unrelieved tax losses offset in the period	(16.9%)	(2,254)	(16.9%)	(3,187)
Overseas taxation	0.0%	1	0.0%	3
Total tax charge		1		3

c) Deferred taxation

There is a net unrecognised deferred tax asset of $10,743 (2013: $14,362) relating to temporary differences. This asset has not been recognised due to the uncertainty of the timing of the future reversal of these temporary differences.

Notes to the consolidated financial statements (continued)

20. Risk management

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

The Group has 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 Group'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 Group's aggregate risk remains within Board guidelines. Such risks arising out of the Group'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 and external auditors and regulatory authorities subject the risk management processes to additional scrutiny which help to further strengthen the risk management environment.

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

a) Credit risk

Credit risk represents the potential loss to the Group when a counterparty fails to meet its obligations. The Group 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, Disciplined processes are 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.

The Credit Risk Management Function is responsible for monitoring and controlling credit risk within the parameters determined by management. Formal 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. The Group mitigates its credit exposures on foreign exchange and derivative financial instruments through the use of master netting agreements and collateral arrangements.

The Group 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 (continued)

20. Risk management (continued)

a) Credit risk (continued)

The table below sets out the Group's classification of each class of financial assets and liabilities, and their fair values (excluding accrued interest)

	As at 31 December 2014			
	Trading	Loans and receivables/ *payables*	Total	Fair value
	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalents	-	1,691	1,691	1,691
Placements with banks	-	3,860	3,860	3,860
Loans and advances	-	-	-	-
Trading securities	28	-	28	28
Derivative financial assets	78	-	78	78
	106	5,551	5,657	5,657
Deposits from banks	-	360	360	360
Deposits from customers	-	4,978	4,978	4,978
Derivative financial liabilities	51	-	51	51
	51	5,338	5,389	5,389

	As at 31 December 2013			
	Trading	Loans and receivables/ *payables*	Total	Fair value
	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalents	-	1,204	1,204	1,204
Placements with banks	-	4,307	4,307	4,307
Loans and advances	-	77	77	77
Trading securities	27	-	27	27
Derivative financial assets	137	-	137	137
	164	5,588	5,752	5,752
Deposits from banks	-	246	246	246
Deposits from customers	-	5,117	5,117	5,117
Derivative financial liabilities	133	-	133	133
	133	5,363	5,496	5,496

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

a) Credit risk (continued)

Credit risk concentration

The Group monitors concentrations of credit risk by geographic location. The geographical distribution of risk assets is set out below.

Geographic risk exposure

	Placements, cash & cash equivalents	Trading securities	Credit - related contingent items	Total exposure
	US$ mn	**US$ mn**	**US$ mn**	**US$ mn**
As at 31 December 2014				
GCC	1,263	-	17	1,280
Europe	3,556	-	-	3,556
North America	324	28	1	353
Asia	408	-	-	408
Total	5,551	28	18	5,597
As at 31 December 2013				
GCC	1,300	-	-	1,300
Other MENA	42	-	-	42
Europe	2,882	-	-	2,882
North America	924	27	1	952
Asia	440	-	-	440
Total	5,588	27	1	5,616

Notes to the consolidated financial statements (continued)

20. *Risk management (continued)*

a) Credit risk (continued)

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

Internal rating grade	Internal classification	Historical default rate range %	External rating Fitch and S&P	Moody's
Investment grade				
Rating grade 1	Standard	0.00 - 0.00	AAA	Aaa
Rating grade 2	Standard	0.00 - 0.03	AA	Aa
Rating grade 3	Standard	0.06 - 0.08	A	A
Rating grade 4	Standard	0.14 - 0.32	BBB	Baa
Sub-investment grade				
Rating grade 5	Standard	0.43 - 1.13	BB	Ba
Rating grade 6	Standard	2.31 - 7.92	B	B
Rating grade 7	Standard	26.87	CCC	Caa
Classified				
Rating grade 8	Substandard	26.87	CC	Ca
Rating grade 9	Doubtful	26.87	C	C
Rating grade 10	Loss	-	D	-

The historical default rates represent the range of probability of defaults between the positive and negative modifiers for each rating grade based on Standard & Poor's one year default rates for the 33 years from 1981 to 2013 for senior unsecured obligations. *The default rates represent the averages over the 33 year period and therefore reflect the full range of economic conditions over that period.*

	Year ended 31 December			
	2014 Cash and cash equivalents, and Placements with banks **US$ mn**	**2014** Trading securities **US$ mn**	**2013** Cash and cash equivalents, and Placements with banks **US$ mn**	**2013** Trading securities **US$ mn**
Neither past due nor impaired				
Rating grades 1 to 4-	5,551	-	5,588	-
Equity investments	-	28	-	27
Total	5,551	28	5,588	27

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

b) Market risk

Market risk arises mainly from uncertainty about future prices of financial and other instruments used in the Group's business. It represents the potential loss the Group might suffer through adverse changes in interest rates, foreign exchange rates, equity prices and market conditions such as liquidity.

The Group applies a VaR methodology to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. VaR is a risk measurement concept which uses statistical models to estimate, within a given level of confidence, the maximum potential negative change in the market value of a portfolio over a specified time horizon resulting from an adverse movement in rates and prices.

The Group supplements daily VaR calculations with portfolio stress testing which measures the impact of simulated abnormal changes in market rates and prices on the market values of the portfolios. It is recognised that VaR is not a measure of the absolute limit of market risk and that losses in excess of the VaR amounts will, on occasion, arise. Risk Management is responsible for monitoring and controlling market risk within the parameters determined by management.

The daily VaR measure is an estimate, with a confidence level of 95%, of the potential loss which might arise if the current positions were to be held unchanged over a one month (21 business days) horizon. The measurement is structured so that monthly losses exceeding the VaR figure would be expected to occur, on average, only once every twenty months. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters / factors used in the VaR calculation. VaR constitutes an integral part of the Group's market risk control regime. VaR limits are established for all trading operations; actual exposure against limits, together with VaR, is reviewed daily by management. The total trading VaR averaged $397 during 2014 and the estimated total as at 31 December 2014 was $711. The high and low points during the year were $737 and $284 respectively.

The principal market risks to which the Group is exposed are interest rate risk and foreign exchange risk associated with asset and liability management activities.

The VaR by risk class for the Group's trading positions was as follows:-

	2014 US$ mn	2014 Average US$ mn	2013 US$ mn	2013 Average US$ mn
Interest rate risk	0.4	0.2	0.2	0.2
Foreign exchange risk	-	-	-	0.1
Managed Funds	0.5	0.3	0.4	0.5
Total diversified risk	0.7	0.4	0.4	0.6

Non-trading market risk: Structural interest rate risk arises in the Group's statement of financial position as a result of mismatches in the repricing of interest rate sensitive financial assets and liabilities. The associated interest rate risk is managed within VaR limits. The Group does not maintain material non-trading foreign currency open positions. In general, the Group's policy is to match assets and liabilities in the same currency or to mitigate currency risk through the use of currency swaps.

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

b) Market risk (continued)

Interest rate sensitivity gap analysis

Part of the Group's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Group's non-trading book as at 31 December 2014. Items are allocated to time bands by reference to the earlier of maturity and the next contractual interest rate re-pricing date.

	As at 31 December 2014					
	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	Non-interest bearing Items	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Assets						
Cash and cash equivalents	1,640	-	51	-	-	**1,691**
Placements with banks	2,583	1,043	234	-	-	**3,860**
Loans and advances	-	-	-	-	-	-
Property, equipment and other assets	-	-	-	-	18	**18**
Total assets	4,223	1,043	285	-	18	**5,569**
Liabilities & shareholder equity						
Deposits from banks	360	-	-	-	-	**360**
Deposits from customers	4,421	557	-	-	-	**4,978**
Other liabilities	-	-	-	-	11	**11**
Shareholder funds	-	-	-	-	275	**275**
Total liabilities & shareholder equity	4,781	557	-	-	286	**5,624**
On-balance sheet items	(558)	486	285	-	(268)	
Effect of derivatives (Interest Rate Swaps) held for risk management	1,176	(894)	(282)	-	-	
As at 31 December 2014						
Interest rate sensitivity gap	618	(408)	3	-	(268)	
Cumulative interest rate sensitivity	618	210	213	213	(55)	

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

b) Market risk (continued)

	As at 31 December 2013					
	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	Non-interest bearing items	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Assets						
Cash and cash equivalents	979	193	32	-	-	1,204
Placements with banks	3,392	915	-	-	-	4,307
Loans and advances	77	-	-	-	-	77
Property, equipment and other assets	-	-	-		21	21
Total assets	4,448	1,108	32	-	21	5,609
Liabilities & shareholder equity						
Deposits from banks	246	-	-	-	-	246
Deposits from customers	4,637	379	101	-	-	5,117
Other liabilities	-	-	-	-	8	8
Shareholder funds	-	-	-	-	268	268
Total liabilities & shareholder equity	4,883	379	101	-	276	5,639
On-balance sheet items	(435)	729	(69)	-	(255)	
Effect of derivatives (Interest Rate Swaps) held for risk management	453	(453)	-	-	-	
As at 31 December 2013						
Interest rate sensitivity gap	18	276	(69)	-	(255)	
Cumulative interest rate sensitivity	18	294	225	225	(30)	

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.

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

b) Market risk (continued)

Interest rate risk: Interest rate risk is the potential adverse impact on GIBUK's future cash flows from changes in interest rates and arises from the differing interest rate risk characteristics of GIBUK's assets and liabilities. The risk appetite for market risk in the banking book is limited, the expectation being that most placements will match incoming deposits. Some degree of gapping is permitted and to control this a daily VaR is run and utilisation is monitored against the limit. The limit as at December 2014 is $1.750mn.

The banking book is run on a largely matched basis with the term of the incoming customer deposits being matched when placing money market deposits. GIBUK has always run daily VaR on the portfolio and the results of this process confirm the largely matched nature of the portfolio.

As at 31 December 2014 a parallel shift in the interest rate curve by 200 basis points would equate to a positive impact of $5.8mn (2013: $-1.4mn).

c) Liquidity risk

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Group, 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. These objectives are met through the application of prudent 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 Group's liquidity controls ensure 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.

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

c) Liquidity risk (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
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
As at 31 December 2014						
Deposits from banks	360	(360)	(360)	-	-	-
Deposits from customers	4,978	(4,978)	(4,421)	(557)	-	-
Other liabilities	8	(8)	(7)	(1)	-	-
Derivative financial instruments:						
- contractual amounts payable	51	(51)	(9)	(26)	(16)	-
- contractual amounts receivable	(78)	78	25	35	18	-
Total undiscounted financial liabilities	5,319	(5,319)	(4,772)	(549)	2	-
As at 31 December 2013						
Deposits from banks	246	(246)	(246)	-	-	-
Deposits from customers	5,117	(5,117)	(4,637)	(480)	-	-
Other liabilities	8	8	8	-	-	-
Derivative financial instruments:						
- contractual amounts payable	133	(133)	(17)	(40)	(75)	(1)
- contractual amounts receivable	(137)	137	15	42	79	1
Total undiscounted financial liabilities	5,367	(5,351)	(4,877)	(478)	4	-

The figures in the table above do not agree directly to the carrying amounts in the consolidated statement of financial position as they incorporate all cash flows, on an undiscounted basis, related to both principal as well as those associated with future coupon and interest payments. Coupons and interest payments for periods for which the interest rate has not yet been determined have been calculated based on the relevant forward rates of interest prevailing at the reporting date.

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

d) Operational risk

Operational risk is the risk of unexpected losses resulting from inadequate or failed internal controls or procedures, systems failures, fraud, business interruption, compliance breaches, human error, management failure or inadequate staffing. A framework and methodology has been developed to identify and control the various operational risks. Whilst operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures and trained and competent people are in place throughout the Group. The internal audit function makes regular independent appraisals of the control environment in all identified risk areas. Tested contingency arrangements are also in place to support operations in the event of a range of possible disaster scenarios.

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

e) Currency risk

At the reporting date there were no material open currency positions.

f) Hedging

The Group's policy is to hedge its exposures to expenses incurred in sterling using forward foreign currency contracts. During the year the Group entered into contracts to cover monthly sterling expenses, as at the year end all these contacts had matured and therefore $Nil (2013: $Nil) was transferred to the statement of comprehensive income.

The group enters into interest rate swaps in order to hedge the interest rate risk on its floating rate funding cost. These swaps are include in 20 (b).

g) Capital management

Regulatory capital

The Group's lead regulator, the Prudential Regulation Authority (PRA), sets and monitors capital requirements for the Group 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. Audited profits / losses that have been notified to the PRA at the reporting date are included in retained earnings.

Deductions from capital include the carrying amounts of investments in subsidiaries that are not included in the regulatory consolidation and investments in the capital of financial firms, which are part of the available-for-sale book.

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 Group's capital adequacy and no breaches were reported to the PRA during the year.

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

g) Capital management

The Group's regulatory capital position was as follows:-

	As at 31 December	
	2014	2013
Tier 1 capital		
Share capital	250,000	250,000
Retained earnings	20,674	15,755
Total tier 1 regulatory capital	270,674	265,755
Risk-weighted assets		
Banking book	838,244	755,700
Trading book	140,879	133,438
Operational risk	98,913	92,000
Total risk-weighted assets	1,078,036	981,138
Capital adequacy ratio		
Total regulatory capital expressed as a percentage of total risk-weighted assets	25.1%	27.1%

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 Group 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 Group's longer-term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

i) Fair value hierarchy

The Group 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.

Financial instruments - Derivative financial instruments are valued using level 2 techniques, the values are modelled using market observable inputs and the value compared against the counterparty's valuation,.

	As at 31 December					
	2014	2014	2014	2013	2013	2013
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets held for trading						
Trading securities	27,657	-	27,657	27,257	-	27,257
Derivative financial assets	-	78,024	78,024	-	136,980	136,980
Total	27,657	78,024	105,681	27,257	136,980	164,237
Financial liabilities held for trading						
Derivative financial liabilities	-	51,191	51,191	-	133,377	133,377

Notes to the consolidated financial statements (continued)

20. Risk management (continued)

j) Financial instruments not measured at fair value

The group has no financial instruments which are not measured at fair value.

21. Derivative and foreign exchange instruments

The Group 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 the following information about the derivative instruments entered into by the Group 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

	As at 31 December 2014			As at 31 December 2013		
	Contract or underlying principal amount US$ mn	Fair value positive US$ mn	Fair value negative US$ mn	Contract or underlying principal amount US$ mn	Fair value positive US$ mn	Fair value negative US$ mn
Trading						
Exchange rate contracts	3,857	78	(51)	5,100	137	(133)
Non-trading						
Interest rate contracts	2,058	-	-	824	-	-
Total	5,915	78	(51)	5,924	137	(133)

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

	As at 31 December 2014		As at 31 December 2013	
	Contract or underlying principal amount US$ mn	Replacement cost US$ mn	Contract or underlying principal amount US$ mn	Replacement cost US$ mn
Less than 1 year	4,827	60	3,591	57
2 and 3 years	1,088	18	2,231	79
4 and 5 years	-	-	120	1
Total	5,915	78	5,942	137

Notes to the consolidated financial statements (continued)

22. *Maturities of assets and liabilities*

	As at 31 December 2014					
	Within 3 months	4 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years and other	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalent	1,640	51	-	-	-	1,691
Placements with banks	2,583	1,277	-	-	-	3,860
Loans and advances	-	-	-	-	-	-
Trading securities	28	-	-	-	-	28
Derivatives	25	35	18	-	-	78
Property, equipment and other assets	13	3	-	-	2	18
Total assets	4,289	1,366	18	-	2	5,675
Deposits from banks	360	-	-	-	-	360
Deposits from customers	4,421	557	-	-	-	4,978
Derivatives	9	26	16	-	-	51
Other liabilities	8	1	-	-	2	11
Shareholder funds	-	-	-	-	275	275
Total liabilities & shareholder equity	4,798	584	16	-	277	5,675

	As at 31 December 2013					
	Within 3 months	4 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years and other	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Cash and other liquid assets	979	225	-	-	-	1,204
Placements with banks	3,392	915	-	-	-	4,307
Loans and advances	77	-	-	-	-	77
Trading securities	27	-	-	-	-	27
Derivatives	15	42	79	1	-	137
Property, equipment and other assets	15	2	-	-	4	21
Total assets	4,505	1,184	79	1	4	5,773
Deposits from banks	246	-	-	-	-	246
Deposits from customers	4,637	480	-	-	-	5,117
Derivatives	17	40	75	1	-	133
Other liabilities	8	1	-	-	-	9
Shareholder funds	-	-	-	-	268	268
Total liabilities & shareholder equity	4,908	521	75	1	268	5,773

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 Group's deposit retention records. Formal liquidity controls are nevertheless based on contractual asset and liability maturities.

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

23. Contingent liabilities

Memorandum items

The amounts shown in the table below are intended only to provide an indication of the volume of business outstanding at 31 December 2014. Although the Group is exposed to credit risk in the event of non-performance of the obligations of customers, the amounts shown do not, and are not intended to, provide an indication of the Group's expectations of future losses. The credit equivalent and risk weighted amounts have been calculated in accordance with the Prudential Regulation Authority's guidelines on implementing the Basel agreement on capital adequacy.

	As at 31 December 2014		
	Nominal principal	Credit equivalent amount	Risk weighted amount
Contingent liabilities			
Guarantees and irrevocable letters of credit	18,417	9,209	99

	As at 31 December 2013		
	Nominal principal	Credit equivalent amount	Risk weighted amount
Contingent liabilities			
Guarantees and irrevocable letters of credit	986	493	99

24. Related-party transactions

Directors' emoluments	Year ended 31 December	
	2014	2013
Aggregate emoluments	942	1,159
Retirement benefits are accruing to directors under a defined benefit scheme	71	58
Retirement benefits are accruing to directors under a defined contribution scheme	16	-
Highest paid director		
Aggregate emoluments	378	397

A listing of the members of the Board of Directors is shown on page 2 of the annual report. In 2014 the total remuneration of the directors was $1,029 (2013: $1,217).

Key management personnel compensation	Year ended 31 December	
	2014	2013
Salaries and other short-term benefits	414	753
Post employment benefits	87	107
	501	860

Pension fund

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

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

24. Related-party transactions (continued)

Subsidiary undertakings

In accordance with IAS 24: Related Party Disclosures, Intra-group related party transactions and outstanding balances are eliminated in the preparation of the consolidated financial statements of the Group. The Group enters into transactions with the subsidiary companies listed in note 30. The table below provides the balances that the Group has with its ultimate parent and subsidiaries and the transactions included in the statement of comprehensive income:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Ultimate parent	Subsidiaries	Ultimate parent	Subsidiaries
Statement of financial position				
Placements with banks*	123,941	-	127,560	-
Loans and advances	-	13	-	39
Deposits from customers	-	408	-	59
Other assets	247	-	158	-
Deposits from banks	-	-	-	-
Other liabilities	156	-	112	-
Statement of comprehensive income				
Interest income	835	-	322	-
Interest expense	33	-	17	-

* Placements with banks includes $53,297 (2013: $89,856) relating to reverse repo transactions with Gulf International Bank BSC.

25. Fiduciary activities

The Group 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 Group and accordingly have not been included in the consolidated financial statements. The aggregate amount of the funds concerned at 31 December 2014 was $12,831,000 (2013: $12,974,000).

26. Other operating income

Other operating income includes the recovery of $867 from a number of old investment positions held at zero value (2013:$2).

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

27. Investment in group entities

Control of the Group

The Company is a wholly owned subsidiary of Gulf International Bank BSC. The Group's ultimate parent company is Gulf International Bank BSC.

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 ultimate parent company is located at Al-Dowali Building, 3 Palace Avenue, Manama, Kingdom of Bahrain.

The consolidated financial statements of GIBUK include the financial statements of GIBUK and the subsidiaries listed in the table below.

Subsidiaries

	Country of incorporation	Ownership interest %	
		2014	2013
GIB (UK) Nominees Limited	United Kingdom	100	100
GIB (UK) Capital Investments Limited	United Kingdom	100	100
GIB (UK) Alternative Investment Management Limited	United Kingdom	100	-
SIB Portfolio Advisors Inc.	USA	100	100
SIB Private Equity Management LLC	USA	100	100
Falcon Private Equity LP	USA	100	100

Shares in group undertakings	Parent Year ended 31 December	
	2014	2013
GIB (UK) Nominees Limited	2	2
GIB (UK) Alternative Investment Management Limited	375	-
	377	2

The equity investments in all other Group undertakings have a zero value.

28. Segmental information

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

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

29. Operating lease commitments

	Year ended 31 December 2014	2013
Less than one year	2,329	2,381
Between one and five years	9,318	-
Over five years	2,135	-
	13,782	2,381

The Group leases office premises under operating leases. The old leases ran until 28 September 2014 and new leases were signed which run until 24 November 2020. There is no option to renew the leases after this date. None of the leases include contingent rentals.

None of the leased premises have been sublet by the Group.

During the year ended 31 December 2014, $3,385 (2013: $2,768) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

30. Investment in investment companies

The Group's investment in investment companies and their respective locations are:-

Unconsolidated:	2014 Fair value	2013 Fair value
Cayman Islands		
- Emerging Markets Opportunities Fund Limited	27,657	27,257
Total investment in investment companies	**27,657**	**27,257**

GIB (UK) Alternative Investment Management Limited is the investment manager of the above fund. The fund was owned by the shareholders of the company:-

Emerging Markets Opportunities Fund Limited is a Cayman Island company. It is managed by a board of two non-executive directors, one of whom is an independent Cayman resident and one of whom is an employee of GIBUK and UK resident, the company is looking to appoint another independent director. As at the reporting date, the total assets of the fund was $658,211 total liabilities $324,737.

The Group's holdings are as follows:-

	Launch date	2014	2013
Unconsolidated:			
Cayman Islands			
- Emerging Markets Opportunities Fund Limited	August 2010	8%	10%

(all amounts in USD thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

31. Subsequent events

With reference to Note 9. Employee benefits, Defined benefit plans. Since the reporting date there has been a significant decrease in corporate bond yields which will have had an adverse impact on the defined benefit obligation of the Scheme. This impact will have been partially offset by falling inflation expectations since the accounting date. The key changes in assumptions to 31 January 2015 are Discount rate 3.0% (note 9: 3.55%), Inflation RPI 2.85% (note 9: 3.10%) and Inflation CPI 1.85% (note 9: 2.10%). The Scheme has a hedging asset portfolio designed to hedge 75% of pure inflation risk and 50% of the interest rate risk, and this has mitigated some of the impact of falling bond yields; as a result assets have increased in value over the same period. The effect of the above changes to the relevant balance sheet items would have been:-

Employee benefits	Subsequent events	Financial statements
Present value of defined benefit obligations	231,823	216,834
Fair value of plan assets	(220,243)	(214,578)
Net liability / (asset) in consolidated statement of financial position	11,580	2,256