Basel 3 Pillar 3

RISK MANAGEMENT AND CAPITAL ADEQUACY

At 30th June 2026

GIB

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Executive summary

The Central Bank of Bahrain (CBB) Basel 3 guidelines prescribe the capital adequacy framework for banks incorporated in the Kingdom of Bahrain. Gulf International Bank B.S.C. ("the Bank" or "GIB") and its subsidiaries (together "the Group") adopted Basel 3 from 1st January 2015 as required by the CBB.

This Risk Management and Capital Adequacy report encompasses the Pillar 3 disclosure requirements prescribed by the CBB based on the Basel Committee's Pillar 3 guidelines. The report contains a description of GIB's risk management and capital adequacy policies and practices, including detailed information on the capital adequacy process.

For regulatory reporting purposes, GIB has adopted the standardised approach for credit risk, market risk and operational risk.

The disclosed tier 1 and total capital adequacy ratios comply with the minimum capital requirements under the CBB's Basel 3 framework.

GIB's total risk-weighted assets as at 30th June 2026 amounted to US$23,572.8 million (31st December 2025: US$25,030.6 million). GIB's credit risk accounted for 90.6% (31st December 2025: 91.4%), market risk accounted for 3.9% (31st December 2025: 3.7%) and operational risk accounted for 5.5% (31st December 2025: 4.9%) of the total risk-weighted assets. Tier 1 and total regulatory capital were US$4,011.2 million (31st December 2025: US$4,002.2 million) and US$4,398.5 million (31st December 2025: US$4,391.3 million), respectively.

As at 30th June 2026, GIB's Tier 1 and total capital adequacy ratios were 17.0% (31st December 2025: 16.0%) and 18.7% (31st December 2025: 17.5%).

GIB views the Pillar 3 disclosures as an important contribution to increased risk transparency within the banking industry, and particularly important during market conditions characterised by high uncertainty. In this regard, GIB has provided more disclosure in this report than is required in accordance with the CBB's Pillar 3 guidelines in order to provide the level of transparency that is believed to be appropriate and relevant to the Group's various stakeholders and market participants.

All figures presented in this report are as at 30th June 2026 unless otherwise stated.

1. The Basel 3 framework

The CBB's Basel 3 framework is based on three pillars, consistent with the Basel 3 framework developed by the Basel Committee, as follows:

- Pillar 1: the calculation of the risk-weighted assets (RWAs) and capital requirement.
- Pillar 2: the supervisory review process, including the Internal Capital Adequacy Assessment Process (ICAAP).
- Pillar 3: the disclosure of risk management and capital adequacy information.

1.1 Pillar 1

Pillar 1 prescribes the basis for the calculation of the regulatory capital adequacy ratio. Pillar 1 sets out the definition and calculations of the RWAs, and the derivation of the regulatory capital base. The capital adequacy ratio is calculated by dividing the regulatory capital base by the total RWAs.

With the introduction of Pillar 2, the CBB implemented a minimum ratio threshold to be determined for each institution individually, as described in more detail in the Pillar 2 section of this report. As at 30th June 2026, all banks incorporated in Bahrain are required to maintain a minimum capital adequacy ratio of 12.5% and a tier 1 ratio of 10.5%.

In the event that the capital adequacy ratio falls below 12.5%, additional prudential reporting requirements apply and a formal action plan setting out the measures to be taken to restore the ratio above the target level is to be formulated and submitted to the CBB.

The table below summarises the approaches available for calculating RWAs for each risk type in accordance with the CBB's Basel 3 capital adequacy framework:

Approaches for determining regulatory capital requirements		
Credit risk	**Market risk**	**Operational risk**
Standardised approach	Standardised approach	Standardised approach

The approach applied by GIB for each risk type is as follows:

a) Credit risk

For regulatory reporting purposes, GIB applies the standardised approach for credit risk.

The RWAs are determined by multiplying the credit exposure by a risk weight factor dependent on the type of counterparty and the counterparty's external rating, where available.

b) Market risk

For the regulatory reporting purposes, GIB applies the standardised approach for market risk.

c) Operational risk

Under the CBB's Basel 3 capital adequacy framework, all banks incorporated in Bahrain are required to apply the basic indicator approach for operational risk unless approval is granted by the CBB to use the standardised approach. The CBB's Basel 3 guidelines do not permit the use of the advanced measurement approach (AMA) for operational risk. The standardised approach for the calculation of regulatory operational risk capital has been approved by the CBB.

Under the standardised approach, the regulatory capital requirement is calculated based on a range of beta coefficients, ranging from 12% to 18%, applied to the average gross income for the preceding three financial years for each of the eight Basel predefined business lines.

1. The Basel 3 framework (continued)

1.2 Pillar 2

Pillar 2 defines the process of supervisory review of an institution's risk management framework and, ultimately, its capital adequacy.

Under the CBB's Pillar 2 guidelines, each bank is to be individually assessed by the CBB and an individual minimum capital adequacy ratio is to be determined for each bank. All banks incorporated in Bahrain are required to maintain a 12.5% minimum capital adequacy ratio and a tier 1 ratio of 10.5%.

Pillar 2 comprises two processes:

- an Internal Capital Adequacy Assessment Process (ICAAP), and
- a supervisory review and evaluation process.

The ICAAP incorporates a review and evaluation of risk management and capital relative to the risks to which the bank is exposed. GIB's capital assessment has been developed around its economic capital framework which is designed to ensure that the Group has sufficient capital resources available to meet regulatory and internal capital requirements, even during periods of economic or financial stress. The capital assessment addresses all components of GIB's risk management, from the daily management of more material risks to the strategic capital management of the Group.

The supervisory review and evaluation process represents the CBB's review of the Group's capital management and an assessment of internal controls and corporate governance. The supervisory review and evaluation process is designed to ensure that institutions identify their material risks and allocate adequate capital and employ sufficient management processes to support such risks.

The supervisory review and evaluation process also encourages institutions to develop and apply enhanced risk management techniques for the measurement and monitoring of risks in addition to the credit, market and operational risks addressed in the core Pillar 1 framework. Other risk types which are not covered by the minimum capital requirements in Pillar 1 include:

- Concentration risk
- Interest rate risk in the banking book
- Strategic risk
- Reputational risk
- Shariah non-compliance risk
- Governance risk
- Legal risk
- Model risk
- IT risk
- Fintech risk
- Cybersecurity risk
- Compliance risk
- Residual risk
- Pension obligation risk
- Liquidity risk
- Collateral concentration risk
- Third party risk
- Environmental, social, and governance (ESG) / Climate risk
-

These are covered either by capital, or risk management and mitigation processes under Pillar 2.

1.3 Pillar 3

In the CBB's Basel 3 framework, the third pillar prescribes how, when, and at what level information should be disclosed about an institution's risk management and capital adequacy practices.

The disclosures comprise detailed qualitative and quantitative information. The purpose of the Pillar 3 disclosure requirements is to complement the first two pillars and the associated supervisory review process. The disclosures are designed to enable stakeholders and market participants to assess an institution's risk appetite and risk exposures and to encourage all banks, via market pressures, to move toward more advanced forms of risk management.

Under the current regulations, partial disclosure consisting mainly of quantitative analysis is required during half year reporting, whereas full disclosure is required to coincide with the financial year end reporting.

In this report, GIB's disclosures are beyond the minimum regulatory requirements and provide disclosure of the risks to which it is exposed, both on- and off-balance sheet. The disclosures in this report are in addition to the disclosures set out in the consolidated financial statements presented in accordance with International Financial Reporting Standards (IFRS).

2. Group structure, overall risk and capital management

This section sets out the consolidation principles and the capital base of GIB as calculated in accordance with the Pillar 1 guidelines, and describes the principles and policies applied in the management and control of risk and capital.

2.1 Group structure

The Group's financial statements are prepared and published on a full consolidation basis, with all subsidiaries being consolidated in accordance with IFRS. For capital adequacy purposes, all subsidiaries are included within the Gulf International Bank B.S.C. Group structure. However, the CBB's capital adequacy methodology accommodates both normal and aggregation forms of consolidation.

Under the CBB capital adequacy framework, subsidiaries reporting under a Basel 3 framework in other regulatory jurisdictions may, at the bank's discretion, be consolidated based on that jurisdiction's Basel 3 framework, rather than based on the CBB's guidelines. Under this aggregation consolidation methodology, and risk-weighted assets of subsidiaries are consolidated with those of the rest of the Group based on the guidelines of their respective regulator to determine the Group's total capital adequacy ratio.

GIB's subsidiary, Gulf International Bank – Saudi Arabia (GIBKSA), is regulated by the Saudi Central Bank (SAMA) and has calculated its risk-weighted assets in accordance with SAMA's guidelines which consolidates the balances of GIB Capital (regulated by Capital Market Authority).

GIB's subsidiary, Gulf International Bank (UK) Limited (GIBUK), is regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) of the United Kingdom and has calculated its risk-weighted assets in accordance with the PRA's guidelines.

The principal subsidiaries and basis of consolidation for capital adequacy purposes are as follows:

Subsidiary	Domicile	Ownership	Consolidation basis
Gulf International Bank – Saudi Arabia	Saudi Arabia	50%	Capital – Consolidation/Aggregation, Assets - Aggregation
Gulf International Bank (UK) Limited	United Kingdom	100%	Aggregation
GIB Markets Limited	Cayman Islands	100%	Full Consolidation

No investments in subsidiaries are treated as a deduction from the Group's regulatory capital.

2.2 Risk and capital management

GIB maintains a prudent and disciplined approach to risk taking by upholding a comprehensive set of risk management policies, processes, and limits, employing professionally qualified people with the appropriate skills, investing in technology and training, and actively promoting a culture of sound risk management at all levels. A key tenet of this culture is the clear segregation of duties and reporting lines between personnel transacting business and personnel processing that business. The Group's risk management is underpinned by its ability to identify, measure, aggregate and manage the different types of risk it faces.

The Board of Directors has created from among its members a Board Risk Policy Committee to review the Group's risk-taking activities and report to the Board in this regard. The Board has the ultimate responsibility for setting the overall risk parameters and tolerances within which the Group conducts its activities, including responsibility for setting the capital ratio targets. The Board reviews the Group's overall risk profile and significant risk exposures as well as the Group's major risk policies, processes and controls.

The Management Committee, chaired by the Chief Executive Officer (CEO), has the primary responsibility for sanctioning risk taking policies and activities within the tolerances defined by the Board. The Group Risk Committee assists the Management Committee in performing its risk related functions.

The Group Risk Committee, under the management of the Chief Risk Officer (CRO) and comprising the Group's most senior risk professionals, provides a forum for the review and approval of new products, risk measurement methodologies and risk control processes. The Group Risk Committee also reviews all risk policies and limits that require approval by the Management Committee. The Assets and Liabilities Committee (ALCO), chaired by the Chief Financial Officer (CFO), provides a forum for the review of asset and liability activities within GIB. It co-ordinates the asset and liability functions and serves as a link between the funding sources and usage in the different business areas.

2. Group structure, overall risk and capital management (continued)

2.2 Risk and capital management (continued)

From a control perspective, the process of risk management is facilitated through a set of independent functions, which report directly to senior management. These functions include Credit Risk, Market Risk, Operational Risk, Financial Control and Internal Audit. This multi-faceted approach aids the effective management of risk by identifying, measuring and monitoring risks from a variety of perspectives.

Internal Audit is responsible for carrying out a risk-based programme of work designed to provide assurance that assets are being safeguarded. This involves ensuring that controls are in place and working effectively in accordance with Group policies and procedures as well as with laws and regulations. The work carried out by Internal Audit includes providing assurance on the effectiveness of the risk management functions, as well as that of controls operated by the business units. The Board Audit Committee approves the annual audit plan and also receives regular reports of the results of audit work.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future business development. The Group manages its capital structure and adjusts the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend pay-out or the issue of new shares.

The CFO is responsible for the capital planning process. Capital planning includes capital adequacy reporting and the Internal Capital Adequacy Assessment Process (ICAAP). The CFO is also responsible for the balance sheet management framework.

The governance structure for risk and capital management is set out in the table below:

Board of Directors		
Board Audit Committee	**Board Risk Policy Committee**	
Chief Executive Officer		
Management Committee (Chairman: CEO)	**Group Risk Committee (Chairman: CRO)**	**Assets and Liabilities Committee (Chairman: CEO)**

The risk, liquidity and capital management responsibilities are set out in the table below:

Chief Executive Officer	
Chief Financial Officer (CFO)	**Chief Risk Officer (CRO)**
Balance sheet management framework Capital management framework	Risk management framework and policies Group credit control Credit risk Market risk Liquidity risk Operational risk

2.3 Risk types

The major risks associated with the Group's business activities are credit, market, operational and liquidity risk. These risks together with a commentary on the way in which the risks are managed and controlled are set out in the following sections, based on the Basel 3 Pillar 1 which the risks are addressed.

2.4 Risk in Pillar 1

Pillar 1, which forms the basis for the calculation of the regulatory capital requirement, addresses three specific risk types: credit, market and operational risk.

2. Group structure, overall risk and capital management (continued)

2.4 Risk in Pillar 1 (continued)

a) Credit risk

Credit risk is the risk that a customer, counterparty or an issuer of securities or other financial instruments fails to perform under its contractual payment obligations thus causing the Group to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Group in its banking, investment and treasury activities, both on- and off-balance sheet. Where appropriate, the Group seeks to minimise its credit exposure using a variety of techniques including, but not limited to, the following:

- entering netting agreements with counterparties that permit the offsetting of receivables and payables
- obtaining collateral
- seeking third party guarantees of the counterparty's obligations
- imposing restrictions and covenants on borrowers

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is undertaken which includes an analysis of the obligor's financial condition, market position, business environment and quality of management. The risk assessment generates an internal credit risk rating for each counterparty, which affects the credit approval decision and the terms and conditions of the transaction. For cross-border transactions, an analysis of country risk is also conducted. The credit decision for an individual counterparty is based on the aggregate Group exposure to that counterparty and all its related entities. Groupwide credit limit setting and approval authorisation requirements are conducted within Board approved guidelines, and the measurement, monitoring and control of credit exposures are done on a Groupwide basis in a consistent manner. Overall exposures are evaluated to ensure broad diversification of credit risk. Potential concentration risks by product, industry, single obligor, credit risk rating and geography are regularly assessed with a view to improving overall portfolio diversification. Established limits and actual levels of exposure are regularly reviewed by the Chief Risk Officer (CRO), Chief Credit Officer (CCO) and other members of senior management. All credit exposures are reviewed at least once a year. Credit policies and procedures are designed to identify, at an early stage, exposures which require more detailed monitoring and review. The credit risk associated with foreign exchange and derivative instruments is assessed in a manner similar to that associated with on-balance sheet activities. The Group principally utilises derivative transactions to facilitate customer transactions and for the management of interest and foreign exchange risks associated with the Group's longer-term lending, borrowing and investment activities. Unlike on-balance sheet products, where the principal amount and interest generally represent the maximum credit exposure, the notional amount relating to a foreign exchange or derivative transaction typically exceeds the credit exposure by a substantial margin. The measure of credit exposure for foreign exchange and derivative instruments is therefore more appropriately considered to be the replacement cost at current market rates plus an add-on amount commensurate with the position's size, volatility and remaining life. Derivative contracts may also carry legal risk; the Group seeks to minimise these risks by the use of standard contract agreements.

b) Market risk

Market risk is the risk of loss of value of a financial instrument or a portfolio of financial instruments as a result of adverse changes in market prices and rates, and market conditions such as liquidity. Market risk arises from the Group's trading, asset and liability management, and investment activities.

The categories of market risk to which the Group is exposed are as follows:

Interest rate risk results from exposure to changes in the level, slope, curvature and volatility of interest rates and credit spreads. The credit spread risk is the risk that the interest yield for a security will increase, with a reduction in the security price, relative to benchmark yields as a result of the general market movements for that rating and class of security. Interest rate risk is the principal market risk faced by the Group and arises from the Group's investment activities in debt securities, asset and liability management, and the trading of debt and off-balance sheet derivative instruments.

Foreign exchange risk results from exposure to changes in the price and volatility of currency spot and forward rates. The principal foreign exchange risk arises from the Group's foreign exchange forward and derivative trading activities.

Equity risk arises from exposures to changes in the price and volatility of individual equities or equity indices.

The Group seeks to manage exposure to market risk through the diversification of exposures across dissimilar markets and the establishment of hedges in related securities or off-balance sheet derivative instruments. To manage the Group's exposures, in addition to the exercise of business judgement and management experience, the Group utilises limit structures including those relating to positions, portfolios, maturities and maximum allowable losses.

2. Group structure, overall risk and capital management (continued)

2.4 Risk in Pillar 1 (continued)

b) Market risk (continued)

The Group is exposed to equity risk in its investment securities, primarily in its core international and GCC markets.

Equity position	Amount
	US$ millions
Quoted equities	104.0
Unquoted equities	15.9
	119.9

c) Operational risk

Operational risk is part of the wider Non-Financial Risk classification, which the Bank actively manages within acceptable tolerance levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. Whilst operational risk cannot be eliminated in its entirety, the Bank endeavours to minimise it by ensuring that a strong control infrastructure is in place throughout the organisation.

Effective management of operational risk aims to minimise the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

The Bank's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with all areas of the Bank. The various procedures and processes used to manage operational risk and non-financial risk include (but not limited to) effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting. In addition, policies have been put in place to manage other control mitigation strategies such as for business continuity planning, insurance and legal risk (which includes regular reporting to management on legal matters).

There is a dedicated Operational Risk Management (ORM) function for the Bank which reports to the Bank's Chief Risk Officer and provides independent monitoring and reporting on operational risk issues as well as broader non-financial risk topics. The Bank has an established governance forum, the Operational Risk & Non-Financial Risk Committee (OR&NFRC) which provides oversight for operational risk and non-financial risk activities across the Bank. The OR&NFRC reports to the Risk Committee (RC) and to the Board Risk Policy Committee (BRPC) on a quarterly basis regarding relevant operational risk management and non-financial risk matters such as high impact events, risk issues of critical importance and new and emerging risk themes.

As part of the Bank's Operational Risk Management Framework (ORMF), risk self-assessments are conducted, which identify the operational risks inherent in the Bank's activities, processes and systems. The controls identified are self-assessed supported by an Internal Control Testing Framework, which entails control validation requirements by the 1st line of defence. This is supported by Quality Assurance of RCSA and control testing by the ORM Division.

Qualitative and quantitative methodologies and tools are used to identify and assess operational risk and to provide management with information for determining appropriate mitigating factors. These tools include a database of operational risk events categorised according to business lines and operational risk event types; a record of key risk indicators, which can provide an early warning of possible risk; and a risk and control assessment process to analyse business activities and identify operational risks related to those activities.

I. Risk Events (RE): Risk events encompass incidents resulting from inadequate or failed internal processes, people, and systems or from external events which impact the organisation, incur a direct financial loss or result in a near miss. ORM tracks and records risk events on an on-going basis to monitor changes in the level of threat to the business and to assist in considering the quality, design and implementation of its controls.

II. Key Risk Indicators (KRI): Key risk indicators are warning signals which enable Management to monitor and mitigate operational risks that are reaching levels of concern. KRIs allow the Bank to identify potential events that may impact achievement of business objectives. The business and support functions in collaboration with ORM define thresholds for identified KRI, to regularly assess the status of the operational risk exposure.

2. Group structure, overall risk and capital management (continued)

c) Operational risk (continued)

III. Risk and Control Self-Assessments (RCSA): Risk and control self-assessment is a tool to identify and assess the operational risk inherent in all existing activities, processes and systems as well as assessing the effectiveness of controls used by Management to mitigate those risks. The business and support functions complete comprehensive risk self-assessments. This is supported by Quality Assurance of RCSA by the ORM Division.

IV. Internal Control Testing Framework (ICTF): The ICTF has been introduced to contribute to the effectiveness and efficiency of the RCSA process, through the implementation of Control Testing approach, which provides control validation through testing by the 1st line of defence. This is supported by Quality Assurance of the control testing by the ORM Division.

Furthermore, as part of the maturing and development of the broader Non-Financial Risk Management framework, the Bank has recently introduced a Risk Identification (RI) and Materiality Assessment (MA) exercise which involves an annual strategic top level non-financial risk identification workshop supported by quarterly materiality risk assessments. Non-Financial Risks are reported to the Board Risk Policy Committee and relevant management committees through the NFR Heatmap report.

2. Group structure, overall risk and capital management (continued)

2.5 Risk in Pillar 2

Other risk types are measured and assessed in Pillar 2. GIB measures and manages these risk types although they are not included in the calculation of the regulatory capital adequacy ratio. Pillar 2 assessment considers risks that are not covered adequately under Pillar 1 risks to ensure sufficient capital coverage for all the underlying risks of the Group's business. This includes an analysis of the Group's residual Pillar 1 risk, concentration risk, interest rate risk in the banking book (IRRBB), strategic risk, reputational risk, shariah non-compliance risk, governance risk, legal risk , model risk, information technology risk, fintech risk, cybersecurity risk, compliance risk, residual risk, pension obligation risk, liquidity risk, collateral concentration risk, third-party risk and environmental, social, and governance (ESG) risk.

a) Liquidity risk

Liquidity risk is the risk that sufficient funds are not available to meet the Group's financial obligations on a punctual basis as they fall due. The risk arises from the timing differences between the maturity profiles of the Group's assets and liabilities. It includes the risk of losses arising from the following:

- forced sale of assets at below normal market prices
- raising of deposits or borrowing funds at excessive rates
- the investment of surplus funds at below market rates

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 current financial commitments but also to facilitate business expansion. These objectives are met through the application of prudent liquidity controls. These controls provide 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.

The management of liquidity and funding is primarily conducted in the Group's individual geographic entities within approved limits. The limits ensure that contractual net cash flows occurring over the following 30-day period do not exceed the eligible stock of available liquid resources.

It is the Group's general policy that each geographic entity should be self-sufficient in relation to funding its own operations.

The Group's liquidity management policies include the following:

- the monitoring of (i) future contractual cash flows against approved limits, and (ii) the level of liquid resources available in a stress event
- the monitoring of balance sheet liquidity ratios
- the monitoring of the sources of funding in order to ensure that funding is derived from a diversified range of sources
- the monitoring of depositor concentrations in order to avoid undue reliance on individual depositors
- the maintenance of a satisfactory level of term financing; and
- the maintenance of liquidity and funding contingency plans. These plans identify early indicators of stress conditions and prescribe the actions to be taken in the event of a systemic or other crisis, while minimising adverse long-term implications for the Group's business activities.

b) Interest rate risk in the banking book

Structural interest rate risk arises in the Group's core balance sheet as a result of mismatches in the repricing of interest rate sensitive financial assets and liabilities. The associated interest rate risk is managed through the use of models to evaluate the sensitivity of earnings to movements in interest rates. Interest rate risk in the banking book is captured in GIB's Pillar 2 capital framework by gauging the impact of stress tests on the Group's interest rate exposure in the banking book.

c) Concentration risk

Concentration risk is the risk related to the degree of diversification in the credit portfolio, i.e. the risk inherent in doing business with large customers or not being equally exposed across industries and regions.

Concentration risk is captured in GIB's Pillar 2 capital framework which considers single-name concentrations and sector concentrations in the credit portfolio. Potential concentration risks by product, single obligor, and geography are regularly assessed with a view to improving overall portfolio diversification. Established limits and actual levels of exposure are regularly reviewed by senior management and the Board of Directors.

2. Group structure, overall risk and capital management (continued)

2.5 Risk in Pillar 2 (continued)

d) Pension obligation risk

Pension obligation risk is the risk that there may be a shortfall with respect to pension benefits due to employees/former employees within the funded defined benefit scheme of the Group's wholly owned subsidiary, GIB UK.

In December 2024, the Trustees of the Scheme completed a full scheme buy-in transaction with an insurer to mitigate against most of the risks that the scheme is exposed to.

e) Reputational risk

Reputational risk is the risk of losses resulting from adverse perceptions about the Group, its brand and franchise by its various stakeholders that is caused by a variety of internal and external factors. Preventive measures, including controls and processes have been deployed to manage reputational risk. These include a robust and comprehensive governance structure, which is based on set of well-defined policies and procedures.

The Group uses a reputational risk scorecard to quantify the amount of capital required for reputational risk under the ICAAP framework.

f) Shariah Non-Compliance Risk

Shariah non-compliance risk is the risk of loss that arises from the failure of the Bank to comply with Shariah rules and principles determined by the Shariah Board or the relevant body in the jurisdictions in which the Bank operates. The Bank's Shariah non-compliance risk arises from its exposure to Shariah compliant transactions and activities.

To effectively mitigate these risks, the Bank has established a robust Shariah Governance Framework that outlines a multi-layered approach, incorporating various lines of defence, including the Shariah Compliance Department, business and operations units, and control functions.

The Group uses a scorecard to quantify the amount of capital required for Shariah Non-Compliance risk under the ICAAP framework.

g) Governance Risk

Governance Risk is defined as the risk of loss stemming from the failure of corporate governance practices of the Bank. Governance is central to the effective and efficient running of the Group. It shapes everything from long-term direction to everyday operations and plays an important part in long-term success of the Group. The Board of Directors, Senior Management and all employees of the Group are committed to effective Corporate Governance and to observing the highest standard of behaviour and conduct to maintain the highest international standards of corporate governance and regulatory compliance.

The Group maintains a Subsidiary Corporate Governance Policy which outlines the corporate governance framework of the Group and the main principles for promoting sound corporate governance practices and reflects to the extent possible the corporate governance requirements of the CBB with respect to the governance of group structures.

The Group uses a scorecard to quantify the amount of capital required for Governance risk under the ICAAP framework.

h) Model Risk

Model Risk can be defined as the potential loss the Bank may incur, as a consequence of decisions that could be principally based on the output of (internal) models, due to errors in the development, implementation or use of such models. To minimise model risk, the Group has in place a set of measures and controls, including the use of three lines of defence as demonstrated below:

- **First line of defence (Model development and use)**: Senior Management oversight, Clear definition of roles and responsibilities, Clear policies and model frameworks, Rigorous model testing prior to use and Ongoing monitoring of model performance.

- **Second line of defence (Model validation)**: Perform model validation tests and performance review for models whose model risk is deemed significant or high and, as an outcome of model validations and performance reviews, confirm or amend model as required.

2.0 Group structure, overall risk and capital management (continued)

2.5 Risk in Pillar 2 (continued)

h) Model Risk (continued)

- **Third line of defence (Internal Audit)**: Models are subjected to Internal Audit reviews as part of the periodic audit cycles and Internal Audit findings are clearly documented and reported to senior management

The Group estimates capital required for model risk by calculating the deviation from model calculations.

i) Information Technology (IT) risk

IT Risk is the risk that infrastructure or systems fail, possibly leading to business disruption, creating a financial impact. The Group has in place a sound IT and Information Security governance framework that aligns its IT strategy and Information & Cyber Security Strategy with its overall business objectives. The Group assesses the capital required for IT risk based on the downtime and restoration cost for the IT-related events.

j) Fintech Risk

Fintech Risk refers to the risk associated with the continuous investment in emerging financial technologies, as well as the risk to traditional banking revenue streams and margins (fees as well as interest income) from emerging fintech players and offerings. Fintech risk includes the following elements:

- Disintermediation risk
- Risk of delayed initiatives leading to loss of revenues
- Risk of obsolescence of technology
- Risk of frauds, error and cybersecurity
- Risk of continued reliance on consultants and specialists.
- Risk of cryptocurrency and tokenisation

The capital requirements for this risk are assessed based on an estimate of the Fintech market penetration in the Banking and financial sector for geographies in which the Group operates.

k) Cybersecurity Risk

Cybersecurity is the risk of losses arising from systems intrusion and invasion, online data fraud or deception schemes for profit, external identity theft through system intrusion and skimming or electronic eavesdropping. The loss or unavailability of data could arise from one or more of the following:

- Shadow IT systems
- Malware (Spyware)
- A distributed denial-of-service (DDoS) attack
- Ransomware Attack
- Social Engineering attacks
- Supply Chain Attacks
- Zero-Day Attack.
- Privacy Breach Risk

The Group assesses the capital required for cybersecurity risk by taking into consideration the probability of the breach, the control environment of the Bank and the cost of data breach.

l) Compliance Risk

Compliance risk refers to the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the Bank may suffer as a result of its failure to comply with laws, regulations, directives, directions, reporting requirements and codes of conduct, including internal code of conduct. This includes Anti-Money Laundering (AML) and Counter Financing of Terrorism (CFT) rules and regulations.

The Group assesses the capital required for compliance risk on the basis of historical compliance related annual losses/penalties.

2.0 Group structure, overall risk and capital management (continued)

2.5 Risk in Pillar 2 (continued)

m) Residual Risk

Residual risk is the risk that the capital measurement methodologies adopted as per the Pillar 1 capital rules do not adequately capture the capital requirement for Pillar 1 risks (i.e. credit, market and operational risks)

- Residual Credit Risk: For the purpose of residual credit risk assessment, the Group utilises an internally developed economic capital model based on the Foundation Internal Ratings based (FIRB) approach issued by the Basel Committee for Banking supervisions (BCBS)
- Residual Market risk: The Group uses Expected Shortfall (ES) to calculate the capital requirement for residual general market risk. ES is calculated for foreign exchange risk and for all financial instruments in the trading book for which there are readily available daily prices
- Residual Operational risk: The Group's historical experience of operational risk related losses indicate that the Group has never experienced operational risk losses in any one year that exceed the Pillar 1 capital requirement.

n) Legal risk

In the ordinary course of its business, as a participant in the financial services industry, the Group may pursue litigation claims against third parties and may also have litigation claims and/or regulatory proceedings filed against it. The Bank has an in-house legal department comprising of qualified legal professionals. The department has put in place adequate policies and procedures and uses assistance of professional legal firms on a need basis, to ensure effective and efficient management of legal risk.

The Group uses a legal risk scorecard to quantify the amount of capital required for legal risk under the ICAAP framework.

o) Strategic risk

Refers to the risk to earnings and profitability arising from strategic decisions, inadequate scoping or implementation of initiatives or projects or delayed/lack of response to changes in the business environment.

The capital assessment for strategic risk shall be based on the potential impact of the Group's strategic initiatives and/or projects not materialising or being delayed. As a measure to evaluate the effectiveness of mitigating strategic risk, the Bank shall ensure:

- The corporate strategy is clearly documented and communicated across relevant stakeholders
- Implementation of strategy progress and projects are tracked through reporting, periodic reviews and annual scorecards, incorporating inputs from stakeholders
- Identify delays or deviations with potential capital implications

The Group uses a scorecard to quantify the amount of capital required for strategic risk under the ICAAP framework.

2. Group structure, overall risk and capital management (continued)

2.5 Risk in Pillar 2 (continued)

p) Collateral Concentration Risk

Collateral concentration risk is the risk of losses owing to lack of diversification of collaterals that are used to secure or mitigate credit exposures.

The Group accepts the following as eligible collaterals:

- Cash (and cash equivalent);
- Securities – Shares, Bonds, Deposit securities and certificates of deposits and other recognised instruments that are liquid (Marketable Securities must be quoted and actively traded on a regulated stock exchange);
- Precious metals (gold, platinum, palladium, silver etc);
- Real estate (Residential, Commercial and Vacant Land); and
- Ships, aircraft, plant and machinery and other movable assets.

q) Third Party Risk

Third party risk refers to potential risk faced by the Bank owing to the outsourcing of services or procurement of products from third party service providers. The Bank's strategy to manage third-party risk includes the following:

- The Group has a Board-approved Outsourcing Policy
- Materiality Assessment of outsourcing arrangements.
- Seeking the regulator's prior written "no objection" before committing to a new material outsourcing arrangement.
- Conducting thorough Risk Assessment of an outsourcing proposal
- Documenting all outsourcing arrangements through a written and legally binding agreement.
- Setting out a clear mechanism for the regular monitoring of the service provider performance
- Bank's internal audit function audits the material outsourced activities on a regular basis

r) Environmental, Social, and Governance (ESG)

ESG risks are included in the Group's risk taxonomy, representing potential impacts across financial, operational, and reputational domains. ESG risk can be categorised as follows:

- **Environmental**: Encompasses natural environmental factors, including carbon emissions, energy usage, waste management, water consumption, and climate change.

- **Social**: Covers the Bank's societal impact, including employee treatment, customer relationships, community engagement, and respect for human rights.

- **Governance**: Refers to risks related to internal management and oversight, including executive accountability, board diversity, transparency, and ethical decision-making.

The Group ensures alignment with global standards and strengthens resilience against emerging risks. The Group has established controls to manage ESG and climate risks, ensuring alignment with regulatory expectations and with due cognisance of regional and industry practices. These controls integrate a combination of quantitative metrics, qualitative assessments, and structured frameworks to mitigate risks and capitalise on opportunities.

2.0 Group structure, overall risk and capital management (continued)

2.6 Monitoring and reporting

The monitoring and reporting to risk is conducted on a daily basis for market and liquidity risk, and on a monthly or quarterly basis for credit and operational risk.

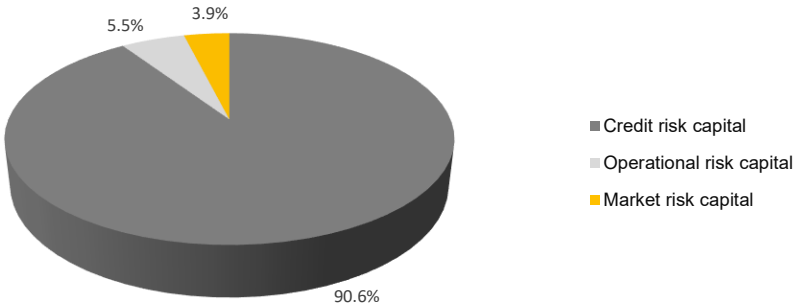
Risk reporting is regularly made to senior management and the Board of Directors. The Board of Directors receives internal risk reports covering market, credit, operational and liquidity risks.

Capital management, including regulatory and internal economic capital ratios, is reported to senior management and the Board of Directors on a monthly basis.

3. Regulatory capital requirements and the capital base

This section describes the Group's regulatory capital requirements and capital base.

The composition of the total regulatory capital requirement was as follows:



Group's total capital adequacy ratio as at 30th June 2026 was 18.7% compared with the minimum regulatory requirement of 12.5%. The Tier 1 ratio was 17.0% for the Group. The composition of the total regulatory capital requirement was as follows:

Risk Weighted Assets (RWA)	Amount
	US$ millions
Credit Risk	21,349.6
Market Risk	922.3
Operational Risk	1,301.0
Total risk-weighted exposure	**23,572.8**
Tier 1 ratio	**17.0%**
Capital adequacy ratio	**18.7%**

3.1 Capital requirements for credit risk

For regulatory reporting purposes, GIB calculates the capital requirements for credit risk based on the standardised approach. Under the standardised approach, on and off-balance sheet credit exposures are assigned to exposure categories based on the type of counterparty or underlying exposure. The exposure categories are referred to in the CBB's Basel 3 capital adequacy framework as standard portfolios. The primary standard portfolios are claims on sovereigns, claims on banks and claims on corporates. Following the assignment of exposures to the relevant standard portfolios, the RWAs are derived based on prescribed risk-weightings. Under the standardised approach, the risk-weightings are provided by the CBB and are determined based on the counterparty's external credit rating. The external credit ratings are derived from eligible external rating agencies approved by the CBB. GIB uses ratings assigned by Standard & Poor's, Moody's and Fitch.

3. Regulatory capital requirements and the capital base (continued)

3.1 Capital requirements for credit risk (continued)

An overview of the exposures, RWAs and capital requirements for credit risk analysed by standard portfolio is presented in the table below:

	Rated exposure	Unrated exposure	Total exposure	Average risk weight	RWA	Capital requirement
	US$ millions	US$ millions	US$ millions	%	US$ millions	US$ millions
Sovereigns	20,352.3	-	20,352.3	3.6%	732.6	91.6
PSEs	992.2	10.3	1,002.5	45.6%	456.9	57.1
Banks	10,941.6	225.4	11,167.0	25.9%	2,894.1	361.8
Corporates	5,347.7	15,169.3	20,517.0	78.5%	16,095.7	2,012.0
Equities	336.2	20.4	356.6	55.3%	197.2	24.7
Past due loans	-	56.8	56.8	84.0%	47.7	6.0
Other assets	51.1	1,059.9	1,111.0	83.3%	925.4	115.7
	38,021.1	**16,542.1**	**54,563.2**	**39.1%**	**21,349.6**	**2,668.9**

Exposures are stated after taking account of credit risk mitigants where applicable. The treatment of credit risk mitigation is explained in more detail in section 4.4(g) of this report.

The definitions of each standard portfolio and the related RWA requirements are set out in section 4 of this report.

3.2 Capital requirements for market risk

The Group computes the regulatory capital for general market risk and specific market risk based on the standardised approach. The RWAs and capital requirements for market risk are presented in the table below:

	RWA	Capital requirement	Capital requirement - minimum*	Capital requirement - maximum*
	US$ millions	US$ millions	US$ millions	US$ millions
Interest rate risk	68.7	8.6	7.3	9.9
Equities	828.7	103.6	102.4	105.5
Foreign exchange risk	24.8	3.1	2.2	21.0
Total Risk Weighted Exposure for Market Risk	**922.2**	**115.3**	**111.9**	**136.4**

*The information in these columns shows the minimum and maximum capital charge of each of the market risk categories during the period ended 30th June 2026.

3.3 Sensitivity analysis – interest rate risk

The impact of a Basel interest rate shock on the value of assets, liabilities and equity as of 30th June 2026 is presented in the table below:

	Assets	Liabilities	Equity
	US$ millions	US$ millions	US$ millions
Parallel increase (+)	(545.2)	133.4	(412.6)
Parallel decrease (-)	545.2	(133.4)	412.6

3.4 Capital requirements for operational risk

For regulatory reporting purposes, the capital requirement for operational risk is calculated in accordance with the standardised approach. Under this approach, the Group's average gross income over the preceding three financial years is multiplied by a range of beta coefficients. The beta coefficients are determined based on the business line generating the gross income and are prescribed in the Basel 3 capital adequacy framework. The capital requirement for operational risk at 31st December 2025 amounted to US$162.6 million. The variance from the previous report is due to GIB KSA and GIB UK figures being updated from December 2024 to December 2025, following the finalisation of their year-end figures.

3.5 Capital base

The Group's regulatory capital base and risk weighted assets are set out in the table below:

	Total
	US$ millions
Regulatory capital base	
Tier 1 capital:	
CET 1	3,727.0
AT 1	284.2
Tier 1 capital	4,011.2
Tier 2 capital	387.3
Total regulatory capital base	**4,398.5**
Risk-weighted exposure	
Credit risk-weighted exposure	21,349.6
Market risk-weighted exposure	922.3
Operational risk-weighted exposure	1,301.0
Total risk-weighted exposure	**23,572.8**
Tier 1 risk asset ratio	**17.0%**
Total risk asset ratio	**18.7%**

Common equity tier 1 (CET 1) and tier 1 capital is defined as capital of the same or close to the character of paid-up capital and comprises share capital, share premium, retained earnings and eligible reserves. Eligible reserves exclude revaluation gains and losses arising on the remeasurement to fair value of derivative cash flow hedging transactions, although include unrealised gains and losses arising on the remeasurement to fair value of equity investment securities classified as fair value through other comprehensive income (FVTOCI). Regulatory capital deductions are applied to tier 1 and tier 2 capital with respect to investment exposures for entities where the Group does not own more than 10% of the issued share capital of the entity, and to tier 1 capital to exclude any outstanding cash flow hedge reserves.

The issued and paid-up share capital of the bank is US$2,000 million at 30th June 2026, comprising 2,000 million shares of US$1 each.

Tier 2 capital, comprising eligible subordinated term debt and expected credit losses stage 1 and stage 2 impairment provisions, after applicable haircuts and ceiling limitations.

The CBB applies various limits to elements of the regulatory capital base. The amount of innovative tier 1 securities cannot exceed 15% of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying subordinated term finance cannot exceed 50% of tier 1 capital. There are also restrictions on the amount of collective impairment provisions that may be included as part of tier 2 capital.

There are no impediments on the transfer of funds or regulatory capital within the Group other than restrictions over transfers of statutory deposits with central banks and safeguards to ensure minimum regulatory capital requirements are met for subsidiary companies.

4. Credit risk – Pillar 3 disclosures

This section describes the Group's exposure to credit risk and provides detailed disclosures on credit risk in accordance with the CBB's Basel 3 framework in relation to Pillar 3 disclosure requirements.

4.1 Definition of exposure classes

GIB has a diversified on- and off-balance sheet credit portfolio, the exposures of which are divided into the counterparty exposure classes defined by the CBB's Basel 3 capital adequacy framework for the standardised approach for credit risk. A high-level description of the counterparty exposure classes, referred to as standard portfolios in the CBB's Basel 3 capital adequacy framework, and the generic treatments, i.e. the risk weights to be used to derive the RWAs, are as follows:

Sovereigns portfolio
The sovereigns portfolio comprises exposures to governments and their respective central banks. The risk weights are 0% for exposures in the relevant domestic currency, or in any currency for exposures to GCC governments. Foreign currency claims on other sovereigns are risk-weighted based on their external credit ratings.

Certain multilateral development banks as determined by the CBB may be included in the sovereigns portfolio and treated as exposures with a 0% risk-weighting.

PSE portfolio
Public sector entities (PSEs) are risk-weighted according to their external ratings with the exception of Bahrain PSEs, and domestic currency claims on other PSEs which are assigned a 0% risk weight by their respective country regulator.

Banks portfolio
Claims on banks are risk-weighted based on their external credit ratings. A preferential risk weight treatment is available for qualifying short-term exposures. Short-term exposures are defined as exposures with an original tenor of three months or less.

The Banks portfolio also includes claims on investment firms, which are risk-weighted based on their external credit ratings although without any option for preferential treatment for short-term exposures. A regulatory deduction is applied to investment exposures for entities where the Group does not own more than 10% of the issued share capital of the bank.

Corporates portfolio
Claims on corporates are risk-weighted based on their external credit ratings. A 100% risk weight is assigned to unrated corporate exposures. A preferential risk weight treatment is available for certain corporates owned by the Government of Bahrain, as determined by the CBB, which are assigned a 0% risk weight.

Equities portfolio
The equities portfolio comprises equity investments in the banking book, i.e. in the investment securities portfolio and non-qualifying equities and funds in the trading portfolio. The credit (specific) risk for qualifying equities in the trading book is included in market risk RWAs for regulatory capital adequacy calculation purposes. A regulatory deduction is applied to investment exposures for entities where the Group does not own more than 10% of the issued share capital of the entity.

A 100% risk weight is assigned to listed equities and funds. Unlisted equities and funds are risk-weighted at 150%. Investments in rated funds are risk-weighted according to their external credit rating.

In addition to the standard portfolios, other exposures are assigned to the following exposure classes:

Past due exposures
All past due loan exposures, irrespective of the categorisation of the exposure if it were performing, are classified separately under the past due exposures asset class. A risk-weighting of either 100% or 150% is applied depending on the level of provision maintained against the loan.

Other assets and holdings of securitisation tranches
Cash balances are risk-weighted at 0%, other assets are risk-weighted at 100%. A credit valuation adjustment (CVA) is applied to applicable derivative exposures.

Securitisation tranches are risk-weighted based on their external credit ratings and tenor. Risk-weightings range from 20% to 1250%.

4. Credit risk – Pillar 3 disclosures (continued)

4.2 External rating agencies

GIB uses ratings issued by Standard & Poor's, Moody's and Fitch to derive the risk-weightings under the CBB's Basel 3 capital adequacy framework. Where ratings vary between rating agencies, the highest rating from the lowest two ratings is used to derive the risk-weightings for regulatory capital adequacy purposes.

4.3 Credit risk presentation under Basel 3

The credit risk exposures presented in this report may differ from the credit risk exposures reported in the consolidated financial statements. Differences arise due to the application of different methodologies, as illustrated below:

- Under the CBB's Basel 3 framework, off-balance sheet exposures are converted into credit exposure equivalents by applying a credit conversion factor (CCF). The off-balance sheet exposure is multiplied by the relevant CCF applicable to the off-balance sheet exposure category. Subsequently, the exposure is treated in accordance with the standard portfolios referred to in section 4.1 of this report in the same manner as on-balance sheet exposures.
- Credit risk exposure reporting under Pillar 3 is frequently reported by standard portfolios based on the type of counterparty. The financial statement presentation is based on asset class rather than the relevant counterparty. For example, a loan to a bank would be classified in the Banks standard portfolio under the capital adequacy framework although is classified in loans and advances in the consolidated financial statements.
- Certain eligible collateral is applied to reduce exposure under the Basel 3 capital adequacy framework, whereas no such collateral netting is applicable in the consolidated financial statements.
- Based on the CBB's Basel 3 guidelines, certain exposures are either included in, or deducted from, regulatory capital rather than treated as an asset as in the consolidated financial statements.
- Under the CBB's Basel 3 capital adequacy framework, external rating agency ratings are based on the highest rating from the lowest two ratings, while for internal credit risk management purposes the Group uses the lowest rating.

4.4 Credit exposure

a) Gross credit exposure

The gross and average gross exposure to credit risk before applying collateral, guarantees, and other credit enhancements was as follows:

	Gross credit exposure	Average gross credit exposure
	US$ millions	US$ millions
Balance sheet items:		
Cash and other liquid assets (including cash balances)	11,013.9	49.8
Securities purchased under agreements to resell	970.2	12,828.3
Placements	4,992.6	772.5
Investment securities	11,374.5	5,524.5
Loans and advances	15,780.1	11,339.9
Accrued interest and fees receivable	498.7	464.0
Total on-balance sheet credit exposure	**44,630.0**	**30,979.0**
Off-balance sheet items:		
Credit-related contingent items	7,749.7	8,023.2
Derivative and foreign exchange instruments	781.2	698.3
Total off-balance sheet credit exposure	**8,530.9**	**8,721.5**
Total gross credit exposure	**53,160.9**	**39,700.4**

The average gross credit exposure is based on monthly averages during the period ended 30th June 2026.

The gross credit exposure for derivative and foreign exchange instruments is the replacement cost (current exposure) representing the cost of replacing the contracts at current market rates should the counterparty default prior to the settlement date. The gross credit exposure reported in the table above does not include potential future exposure. Further details on the counterparty credit risk relating to off-balance sheet exposures are set out in section 7.3(a) of this report.

4. Credit risk – Pillar 3 disclosures (continued)

4.4 Credit exposure (continued)

b) Credit exposure by geography

The classification of credit exposure by geography, based on the location of the counterparty, was as follows:

	Placements, reverse repos & other liquid assets	Securities	Loans and advances	Accrued interest-fees receivable	Off-balance sheet items	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
GCC	3,603.6	7,623.5	14,870.9	300.8	6,677.7	33,076.5
Europe	4,437.7	859.8	551.5	156.8	539.8	6,545.6
North America	8,290.2	1,646.6	72.7	26.6	690.6	10,726.7
Asia	637.3	1,241.2	-	12.2	349.6	2,240.3
MENA (excluding GCC)	7.9	3.4	285.0	2.3	273.2	571.8
	16,976.7	**11,374.5**	**15,780.1**	**498.7**	**8,530.9**	**53,160.9**

The MENA region comprises the Middle East and North Africa.

c) Credit exposure by industrial sector

The classification of credit exposure by industrial sector was as follows:

	Placements, reverse repos & other liquid assets	Securities	Loans and advances	Accrued interest-fees receivable	Off-balance sheet items	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Government	10,523.3	9,819.2	1,770.9	129.3	101.3	22,344.0
Financial	6,453.4	678.9	2,457.3	245.8	1,796.3	11,631.7
Trading and services	-	-	1,580.2	19.8	930.2	2,530.2
Energy, oil and petrochemical	-	168.8	1,702.2	15.1	1,344.6	3,230.7
Manufacturing	-	-	1,428.6	11.4	844.9	2,284.9
Utilities	-	239.3	1,137.0	10.5	184.9	1,571.7
Construction and Engineering	-	-	1,105.0	6.8	2,236.1	3,347.9
Transportation	-	13.3	1,246.7	5.4	361.1	1,626.5
Real estate	-	75.6	1,180.9	17.6	70.0	1,344.1
Agriculture and mining	-	95.3	172.1	7.2	322.5	597.1
Retail	-	-	365.8	0.7	-	366.5
Technology, media and telecommunication	-	224.1	362.9	6.3	109.6	702.9
Other	-	60.0	1,270.5	22.8	229.4	1,582.7
	16,976.7	**11,374.5**	**15,780.1**	**498.7**	**8,530.9**	**53,160.9**

4. Credit risk – Pillar 3 disclosures (continued)

4.4 Credit exposure (continued)

d) Credit exposure by internal rating

The credit risk profile based on internal credit ratings and presented based on the International Financial Reporting Standards (IFRS) 9 – Financial Instruments classification was as follows:

	Placements, reverse repos & other liquid assets	Securities	Loans and advances	Accrued interest-fees receivable	Off-balance sheet items	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Stage 1						
Rating grades 1 to 4-	16,251.5	10,382.2	9,830.6	420.9	5,122.3	42,007.5
Rating grades 5+ to 5-	704.6	992.3	4,872.4	53.7	1,260.6	7,883.6
Rating grades 6+ to 6-	20.6	-	382.7	8.7	9.7	421.7
Carrying amount (net)	16,976.7	11,374.5	15,085.7	483.3	6,392.6	50,312.8
Stage 2						
Rating grades 1 to 4-	-	-	13.4	-	374.4	387.8
Rating grades 5+ to 5-	-	-	192.4	5.6	54.4	252.4
Rating grades 6+ to 6-	-	-	379.6	2.8	33.2	415.6
Rating grade 7	-	-	50.4	7.0	3.6	61.0
Carrying amount (net)	-	-	635.8	15.4	465.6	1,116.8
Stage 3						
Rating grade 8	-	-	53.6	-	7.0	60.6
Rating grade 9	-	-	4.3	-	16.3	20.6
Rating grade 10	-	-	0.7	-	-	0.7
Carrying amount (net)	-	-	58.6	-	23.3	81.9
Other credit risk exposures						
Performance bonds	-	-	-	-	1,649.4	1,649.4
Carrying amount	-	-	-	-	1,649.4	1,649.4
	16,976.7	**11,374.5**	**15,780.1**	**498.7**	**8,530.9**	**53,160.9**

The above on-balance sheet exposures are reported net of the following provisions for expected credit losses, whereas provisions for off-balance sheet items are recorded in other liabilities:

Stage 1	(0.6)	(6.0)	(81.9)	-	(7.4)	(95.9)
Stage 2	-	-	(56.4)	-	(2.7)	(59.1)
Stage 3	-	-	(216.1)	-	(14.3)	(230.4)
	(0.6)	**(6.0)**	**(354.4)**	**-**	**(24.4)**	**(385.4)**

Following the adoption of IFRS 9 – Financial Instruments, the Group has classified credit exposures in the following prescribed stages:

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

The analysis is presented prior to the application of credit risk mitigation techniques.

The Group's internal credit rating system is commented on in more detail in section 4.9 of this report.

4. Credit risk – Pillar 3 disclosures (continued)

4.4 Credit exposure (continued)

e) Credit exposure by maturity

The maturity profile of funded credit exposures based on contractual maturity dates was as follows:

	Placements, reverse repos & other liquid assets	Securities	Loans and advances	Accrued interest-fees receivable	Off-balance sheet items	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Within 3 months	13,129.6	1,228.8	6,487.4	281.0	3,815.0	24,941.8
4 months to 1 year	3,018.7	2,247.5	2,509.5	217.7	2,856.1	10,849.5
Years 2 to 5	347.5	3,523.0	5,323.4	-	1,484.7	10,678.6
Years 6 to 10	-	4,179.6	1,214.5	-	353.5	5,747.6
Years 11 to 20	-	190.6	96.6	-	6.2	293.4
Over 20 years and undated	480.9	5.0	148.7	-	15.4	650.0
	16,976.7	**11,374.5**	**15,780.1**	**498.7**	**8,530.9**	**53,160.9**

Securities exposure over 20 years and undated comprises securities measured at fair value through profit or loss and equity investment securities measured at fair value through other comprehensive income.

f) Equities held in the banking book

Equity investments measured at fair value through other comprehensive income of investment securities in the consolidated balance sheet are included in the equities' standard portfolio in the Pillar 1 credit risk capital adequacy framework. Such equity investment securities principally comprise investments of a private equity nature and investments in funds managed by specialist managers.

At 30th June 2026, equity investment securities held in the banking book amounted to US$119.9 million, of which US$2.1 million comprised managed funds.

During the period ended 30th June 2026, nil gains were realised on equity investments. At 30th June 2026, net unrealised losses on equity investment securities amounted to US$15.4 million.

g) Credit risk mitigation

The credit exposure information presented in section 4 of this report represents gross exposures prior to the application of any credit risk mitigants. Collateral items and guarantees which can be used for credit risk mitigation under the capital adequacy framework are referred to as eligible collateral. Only certain types of collateral and some issuers of guarantees are eligible for preferential risk weights for regulatory capital adequacy purposes. Furthermore, the collateral management process and the terms in the collateral agreements have to fulfil the CBB's prescribed minimum requirements (such as procedures for the monitoring of market values, insurance and legal certainty) set out in their capital adequacy regulations.

The reduction of the capital requirement attributable to credit risk mitigation is calculated in different ways, depending on the type of credit risk mitigation, as follows:

- Adjusted exposure amount: GIB uses the comprehensive method for financial collateral such as cash, bonds and shares. The exposure amount is adjusted with regard to the financial collateral. The size of the adjustment depends on the volatility of the collateral and the exposure. GIB uses volatility adjustments specified by the CBB, known as supervisory haircuts, to reduce the benefit of collateral and to increase the magnitude of the exposure.

- Substitution of counterparty: The substitution method is used for guarantees, whereby the rating of the counterparty is substituted with the rating of the guarantor. This means that the credit risk in respect of the counterparty is substituted by the credit risk of the guarantor and the capital requirement is thereby reduced. Hence, a fully guaranteed exposure will be assigned the same capital treatment as if the exposure was to the guarantor rather than to the counterparty.

4. Credit risk – Pillar 3 disclosures (continued)

4.4 Credit exposure (continued)

g) Credit risk mitigation (continued)

Description of the main types of credit risk mitigation
GIB uses a variety of credit risk mitigation techniques in several different markets which contribute to risk diversification and credit protection. The different credit risk mitigation techniques such as collateral, guarantees, credit derivatives, netting agreements and covenants are used to reduce credit risk. All credit risk mitigation activities are not necessarily recognised for capital adequacy purposes as they are not defined as eligible under the CBB's Basel 3 capital adequacy framework, e.g. covenants and non-eligible tangible collateral such as unquoted equities. The recognised credit risk mitigation activities are undertaken with various counterparties to ensure no additional credit or market risk concentrations occur.

Exposures secured by eligible financial collateral, guarantees and credit derivatives, presented by standard portfolio were as follows:

	Exposure before credit risk mitigation	Eligible collateral	Of which secured by: Eligible guarantees or credit derivatives
	US$ millions	US$ millions	US$ millions
Sovereigns	4,521.6	-	16.8
Banks	6,882.9	4,379.7	352.6
Corporates	9,144.3	1,142.0	-

Guarantees and credit derivatives
Only eligible providers of guarantees and credit derivatives may be recognised in the standardised approach for credit risk. Guarantees issued by corporate entities may only be taken into account if their rating corresponds to A- or higher. The guaranteed exposures receive the risk weight of the guarantor.

GIB uses credit derivatives as credit risk protection only to a limited extent as the credit portfolio is considered to be well diversified.

Collateral and valuation principles
The amount and type of collateral is dependent upon the assessment of the credit risk of the counterparty. The market/ fair value of the collateral is actively monitored on a regular basis and requests are made for additional collateral in accordance with the terms of the facility agreements. In general, lending is based on the customer's repayment capacity rather than the collateral value. However, collateral is considered the secondary alternative if the repayment capacity proves inadequate. Collateral is not usually held against securities or placements.

Types of eligible collateral commonly accepted
The Group holds collateral against loans and advances in the form of physical assets, cash deposits, securities and guarantees.

4.5 Movement in provisions for expected credit losses

Provisions for expected credit losses (ECL) are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan.

For the purposes of ECL calculation, the Group categorises its financial instruments that are not measured at FVTPL into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology. The Group calculates 12-month ECL for its Stage 1 exposures and lifetime ECL for its stage 2 and stage 3 exposures.

Provisions for expected credit losses are recognised in the consolidated statement of income and are reflected in an allowance account against the respective financial asset.

4. Credit risk – Pillar 3 disclosures (continued)

4.5 Movement in provision for expected credit losses (continued)

a) Loans and advances

The movements in the provisions for expected credit losses of loans and advances were as follows:

	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions
At 1st January 2026	71.6	57.0	166.7	**295.3**
Transfer to stage 1	0.3	(0.2)	(0.1)	**-**
Transfer to stage 2	(0.2)	0.7	(0.5)	**-**
Transfer to stage 3	(0.1)	(0.3)	0.4	**-**
Exchange rate movements	(0.1)	(0.1)	(0.2)	**(0.4)**
Net remeasurement of ECL allowance	10.4	(0.7)	68.2	**77.9**
Loans derecognised	-	-	(15.6)	**(15.6)**
Write-offs	-	-	(2.8)	**(2.8)**
At 30th June 2026	**81.9**	**56.4**	**216.1**	**354.4**

b) Investment securities

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

	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions
At 1st January 2026	5.5	-	-	**5.5**
Net remeasurement of ECL allowance	0.5	-	-	**0.5**
At 30th June 2026	**6.0**	**-**	**-**	**6.0**

c) Credit related financial instruments

The movements in the provisions for expected credit losses of credit related financial instruments were as follows:

	Stage 1	Stage 2	Stage 3	Total
	US$ millions	US$ millions	US$ millions	US$ millions
At 1st January 2026	7.1	3.7	24.8	**35.6**
Exchange rate movements	-	-	(0.1)	**(0.1)**
Net remeasurement of ECL allowance	0.3	(1.0)	(10.4)	**(11.1)**
At 30th June 2026	**7.4**	**2.7**	**14.3**	**24.4**

4.6 Credit impaired exposures

Impaired financial assets represent assets for which there is objective evidence that the Group will not collect all amounts due, including both principal and interest, in accordance with the contractual terms of the obligation. Objective evidence that a financial asset is impaired may include: a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered, indications that it is probable that the borrower will enter bankruptcy or other financial re-organisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In accordance with guidelines issued by the CBB, credit facilities are placed on non-accrual status and interest income suspended when either principal or interest is overdue by 90 days whereupon unpaid and accrued interest is reversed from income. Interest on non-accrual facilities is included in income only when received. Credit facilities classified as past due are assessed for impairment in accordance with the IFRS guidelines as set out in section 4.5 of this report.

4. Credit risk – Pillar 3 disclosures (continued)

4.6 Credit impaired exposures (continued)

a) Loans and advances

The gross and carrying amounts of credit impaired loans and advances were as follows:

	Gross exposure	Expected credit losses	Net exposure
	US$ millions	US$ millions	US$ millions
Corporates	269.4	212.1	57.3
Retail banking	5.3	4.0	1.3
	274.7	**216.1**	**58.6**

The overdue status of credit impaired loans and advances based on original contractual maturities was as follows:

	Less than 1 year	Years 2 and 3	Over 3 years	Total
	US$ millions	US$ millions	US$ millions	US$ millions
Corporates	93.8	140.5	35.1	269.4
Retail banking	4.9	-	0.4	5.3
	98.7	**140.5**	**35.5**	**274.7**

The net charges for expected credit losses and write-offs for credit impaired facilities during the period were as follows:

	Net charges	Write-offs	Expected credit losses
	US$ millions	US$ millions	US$ millions
Corporates	74.5	-	212.1
Retail banking	3.4	2.8	4.0
	77.9	**2.8**	**216.1**

Credit impaired facilities were all to counterparties in the GCC.

b) Investment securities

There were no debt investment securities for which either principal or interest was over 90 days past due.

4.7 Past due facilities

Exposures are classified as past due but not credit impaired when principal or interest on the facility is overdue by 1 day up to 89 days.

The gross and carrying amounts of past due but not credit impaired loans were as follows:

	Gross exposure	Expected credit losses	Net exposure
	US$ millions	US$ millions	US$ millions
Corporates	203.7	5.2	198.5
Retail banking	43.8	3.0	40.8
	247.5	**8.2**	**239.3**

4. Credit risk – Pillar 3 disclosures (continued)

4.7 Past due facilities (continued)

The age analysis of past due but not credit impaired facilities was as follows:

	Up to 30 days	31 to 60 days	61 to 89 days	Total
	US$ millions	US$ millions	US$ millions	US$ millions
Corporates	175.0	20.2	3.3	198.5
Retail banking	26.8	11.3	2.7	40.8
	201.8	**31.5**	**6.0**	**239.3**

Past due but not credit impaired facilities were all to counterparties in the GCC.

4.8 Restructured and modified facilities

The Group did not record any restructured or modified facilities during the period.

4.9 Internal ratings

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 the maintenance of 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.

The internal credit rating system is used throughout the organisation and is inherent in all business decisions relating to the extension of credit. A rating is an estimate that exclusively reflects the quantification of the repayment capacity of the customer, i.e. the risk of customer default. The internal credit rating system also serves as a key input into the Group's Risk-Adjusted Return on Capital (RAROC) performance measurement system. Ratings reflect a medium-term time horizon, thereby rating through an economic cycle.

4. Credit risk – Pillar 3 disclosures (continued)

4.9 Internal ratings (continued)

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

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

The rating mapping does not intend to reflect that there is a fixed relationship between GIB's internal rating grades and those of the external agencies as the rating approaches differ.

5. Market risk – Pillar 3 disclosures

5.1 Market risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, commodity prices, equity prices and market conditions, such as liquidity. The principal market risks to which the Group is exposed are interest rate risk and foreign exchange risk associated with its trading, investment and asset and liability management activities. The portfolio effects of holding a diversified range of instruments across a variety of businesses and geographic areas contribute to a reduction in the potential negative impact on earnings from market risk factors.

The Group's trading and foreign exchange activities principally comprise debt securities, foreign exchange and derivative financial instruments. Derivative financial instruments include futures, forwards, swaps and options in the interest rate and foreign exchange markets. The Group manages and controls the market risk within its trading portfolios through limit structures that relate, inter alia, to positions, volumes, concentrations, allowable losses and maturities.

5.2 Sensitivity analysis

The sensitivity of the interest rate risk in the banking book to changes in interest rates is set out in section 8.1(c) of this report.

The Group's investment debt securities are measured at amortised cost and other comprehensive income. However, the Group nevertheless monitors the impact of changes in credit spreads on the fair value of the debt securities.

6. Operational risk – Pillar 3 disclosures

6.1 Operational risk

Operational risk is part of the wider Non-Financial Risk classification, which the Bank actively manages within acceptable tolerance levels through sound operational risk management practices that are part of the day-to-day responsibilities of management at all levels. Whilst operational risk cannot be eliminated in its entirety, the Bank endeavours to minimise it by ensuring that a strong control infrastructure is in place throughout the organisation.

Effective management of operational risk aims to minimise the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss.

The Bank's risk management approach involves identifying, assessing, managing, mitigating, monitoring and measuring the risks associated with all areas of the Bank. The various procedures and processes used to manage operational risk and non-financial risk include (but not limited to) effective staff training, appropriate controls to safeguard assets and records, regular reconciliation of accounts and transactions, close monitoring of risk limits, segregation of duties, and financial management and reporting. In addition, policies have been put in place to manage other control mitigation strategies such as for business continuity planning, insurance and legal risk (which includes regular reporting to management on legal matters).

There is a dedicated Operational Risk Management (ORM) function for the Bank which reports to the Bank's Chief Risk Officer and provides independent monitoring and reporting on operational risk issues as well as broader non-financial risk topics. The Bank has an established governance forum, the Operational Risk & Non-Financial Risk Committee (OR&NFRC) which provides oversight for operational risk and non-financial risk activities across Bank. The OR&NFRC reports to the Risk Committee (RC) and to the Board Risk Policy Committee (BRPC) on a quarterly basis regarding relevant operational risk management and non-financial risk matters such as high impact events, risk issues of critical importance.

As part of the Bank's Operational Risk Management Framework (ORMF), risk self-assessments are conducted, which identify the operational risks inherent in the Bank's activities, processes and systems. The controls identified are self-assessed and is supported by an Internal Control Testing Framework, which entails control validation requirements at 1st and 2nd lines of defence.

Qualitative and quantitative methodologies and tools are used to identify and assess operational risk and to provide management with information for determining appropriate mitigating factors. These tools include a database of operational risk events categorised according to business lines and operational risk event types; a record of key risk indicators, which can provide an early warning of possible risk; and a risk and control assessment process to analyse business activities and identify operational risks related to those activities.

- Risk Events (RE): Risk events encompass incidents resulting from inadequate or failed internal processes, people, and systems or from external events which impact the organisation, incur a direct financial loss or result in a near miss. ORM tracks and records risk events on an on-going basis to monitor changes in the level of threat to the business and to assist in considering the quality, design and implementation of its controls.

- Key Risk Indicators (KRI): Key risk indicators are warning signals which enable Management to monitor and mitigate operational risks that are reaching levels of concern. KRIs allow the Bank to identify potential events that may impact achievement of business objectives. The business and support functions in collaboration with ORM define thresholds for identified KRI, to regularly assess the status of the operational risk exposure.

- Risk and Control Self-Assessments (RCSA): Risk and control self-assessment is a tool to identify and assess the operational risk inherent in all existing activities, processes and systems as well as assessing the effectiveness of controls used by Management to mitigate those risks. The business and support functions collaborate with ORM to complete comprehensive risk self-assessments.

- Internal Control Testing Framework (ICTF): The ICTF has been introduced to contribute to the effectiveness and efficiency of the RCSA process, through the implementation of Control Testing approach, which provides control validation through testing across the 1st and 2nd lines of defence.

Furthermore, as part of the maturing and development of the broader Non-Financial Risk Management framework, the bank has recently introduced a Risk Identification and Materiality Assessment (RIMA) exercise which involves annual top level non-financial risk identification workshop supported by semi-annual materiality assessment processes.

The capital requirement for operational risk is calculated for regulatory purposes according to the standardised approach, in which the regulatory capital requirement is calculated based on a range of beta coefficients, ranging from 12% to 18%, applied to the average gross income for the preceding three financial years for each of eight predefined business lines. Consequently, the operational risk capital requirement is updated only on an annual basis.

7. Off-balance sheet exposure and securitisations

Off-balance sheet exposures are divided into two exposure types in accordance with the calculation of credit risk RWAs in the CBB's Basel 3 capital adequacy framework:

- Credit-related contingent items: Credit-related contingent items comprise guarantees, credit commitments and unutilised approved credit facilities
- Derivative and foreign exchange instruments: Derivative and foreign exchange instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets

In addition to counterparty credit risk measured within the Basel 3 credit risk framework, derivatives also incorporate exposure to market risk and carry a potential market risk capital requirement, as commented on in more detail in section 5 of this report. A credit valuation adjustment (CVA) is applied to the relevant derivative exposure RWA's.

For the two off-balance exposure types, there are different possible values for the calculation base of the regulatory capital requirement, as commented on below:

7.1 Credit-related contingent items

For credit-related contingent items, the notional principal amount is converted to an exposure at default (EAD) through the application of a credit conversion factor (CCF). The CCF factors range from 20% to 100% depending on the type of contingent item and is intended to convert off-balance sheet notional amounts into equivalent on-balance sheet exposures.

Credit commitments and unutilised approved credit facilities represent commitments that have not been drawn down or utilised. The notional amount provides the calculation base to which a CCF is applied for calculating the EAD. The CCF ranges between 0% and 100% depending on the approach, product type and whether the unutilised amounts are unconditionally cancellable or irrevocable.

The table below summarises the notional principal amounts, RWAs and capital requirements for each credit-related contingent category:

	Notional principal amount	RWA	Capital requirement
	US$ millions	US$ millions	US$ millions
Direct credit substitutes	1,046.7	1,009.8	126.2
Transaction-related contingent items	3,955.2	1,501.6	187.7
Short-term self-liquidating trade-related contingent items	902.3	164.7	20.6
Commitments	1,845.5	1,157.6	144.7
	7,749.7	**3,833.7**	**479.2**

Commitments include undrawn loan commitments and underwriting commitments under note issuance and revolving facilities and may be drawn down on demand.

The notional principal amounts reported above are stated gross before applying credit risk mitigants, such as cash collateral, guarantees and counter-indemnities. At 30th June 2026, the Group held cash collateral, guarantees, counter-indemnities or other high quality collateral in relation to credit-related contingent items amounting to US$400.4 million.

7.2 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 activity to hedge its own exposure to market risk. Derivative and foreign exchange instruments are subject to the same types of credit and market risk as other financial instruments. The Group has appropriate and comprehensive Board-approved policies and procedures for the control of exposure to both credit and market risk from its derivative and foreign exchange activities.

In the case of derivative transactions, the notional principal typically does not change hands. It is simply a quantity which is used to calculate payments. While notional principal is a volume measure used in the derivative and foreign exchange markets, it is neither a measure of market nor credit risk. The Group's measure of credit exposure is the cost of replacing contracts at current market rates should the counterparty default prior to the settlement date. Credit risk amounts represent the gross unrealised gains on non-margined transactions before taking account of any collateral held or any master netting agreements in place.

The Group participates in both exchanges traded and over-the-counter (OTC) derivative markets. Exchange traded instruments are executed through a recognised exchange as standardised contracts and primarily comprise futures and options. OTC contracts are executed between two counterparties who negotiate specific agreement terms, including the underlying instrument, notional amount, maturity and, where appropriate, exercise price. In general, the terms and conditions of these transactions are tailored to the requirements of the Group's customers although conform to normal market practice. Industry standard documentation is used, most commonly in the form of a master agreement. The existence of a master netting agreement is intended to provide protection to the Group in the event of a counterparty default.

7. Off-balance sheet exposure and securitisations (continued)

7.2 Derivative and foreign exchange instruments (continued)

The Group's derivative and foreign exchange activities are predominantly short-term in nature. Transactions with maturities over one year principally represent either fully offset trading transactions or transactions that are designated, and qualify, as fair value or cash flow hedges.

The aggregate notional amounts for derivative and foreign exchange instruments at 30th June 2026 were as follows:

	Trading	Hedging	Total
	US$ millions	US$ millions	US$ millions
Foreign exchange contracts:			
Unmatured spot, forward and futures contracts	7,532.5	1,110.1	8,642.6
Options purchased	316.8	-	316.8
Options written	316.8	-	316.8
	8,166.1	1,110.1	9,276.2
Interest rate contracts:			
Interest rate swaps	19,489.6	9,760.9	29,250.5
Cross currency swaps	538.0	-	538.0
Options, caps and floors purchased	2,706.3	-	2,706.3
Options, caps and floors written	2,706.3	-	2,706.3
	25,440.2	9,760.9	35,201.1
Equity and commodity contracts:			
Options and swaps purchased	162.4	-	162.4
Options and swaps written	162.4	-	162.4
	324.8	-	324.8
Credit default swaps:			
Protection purchased	34.8	-	34.8
Protection sold	34.8	-	34.8
	69.6	-	69.6
	34,000.7	**10,871.0**	**44,871.7**

7.3 Counterparty credit risk

Counterparty credit risk is the risk that a counterparty to a contract in the interest rate, foreign exchange, commodity, equity or credit markets defaults prior to the maturity of the contract. The counterparty credit risk for derivative and foreign exchange instruments is subject to credit limits on the same basis as other credit exposures. Counterparty credit risk arises in both the trading book and the banking book.

a) Counterparty credit risk calculation

For regulatory capital adequacy purposes, GIB uses the current exposure method to calculate the exposure for counterparty credit risk for derivative and foreign exchange instruments in accordance with the credit risk framework in the CBB's Basel 3 capital adequacy framework. A capital charge to cover the risk of mark-to-market losses on expected counterparty risk (CVA) is applied to over-the-counter derivatives. Credit exposure comprises the sum of current exposure (replacement cost), and potential future exposure. The potential future exposure is an estimate, which reflects possible changes in the market value of the individual contract during the remaining life of the contract and is measured as the notional principal amount multiplied by an add-on. The add-on depends on the risk categorisation and maturity of the contract and the contract's remaining life. Netting of potential future exposures on contracts within the same legally enforceable netting agreement is done as a function of the gross potential future exposure.

7. Off-balance sheet exposure and securitisations (continued)

7.3 Counterparty credit risk (continued)

a) Counterparty credit risk calculation (continued)

The EAD, CVA, RWAs and capital requirements for the counterparty credit risk of derivative and foreign exchange instruments analysed by standard portfolio, is presented in the table below:

	Exposure at Default (EAD)					
	Current exposure	Future exposure	Total exposure	CVA	RWA	Capital requirement
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Banks	472.9	191.0	663.9	110.5	92.4	25.4
Corporates	307.0	71.5	379.8	81.5	107.3	23.6
Governments	1.3	11	12.3	1.6	2.3	0.5
	781.2	**273.5**	**1056.0**	**193.6**	**202.0**	**49.5**

b) Mitigation of counterparty credit risk exposure

Risk mitigation techniques are widely used to reduce exposure to single counterparties. The most common risk mitigation technique for derivative and foreign exchange-related exposure is the use of master netting agreements, which allow the Group to net positive and negative replacement values of contracts under the agreement in the event of default of the counterparty.

The reduction of counterparty credit risk exposure for derivative and foreign exchange instruments through the use of risk mitigation techniques is demonstrated as follows:

	Current exposure	Effect of netting agreements	Netted current exposure
	US$ millions	US$ millions	US$ millions
Counterparty credit risk exposure	781.2	(368.5)	412.7

The Group held derivative valuation margin amounting to US$263.6 million

7.4 Securitisations

Securitisations are defined as structures where the cash flow from an underlying pool of exposures is used to secure at least two different stratified risk positions or tranches reflecting different degrees of credit risk. Payments to the investors depend upon the performance of the underlying exposures, as opposed to being derived from an obligation of the entity originating those exposures.

At 30th June 2026, the Group had no exposure to securitisation tranches.

At 30th June 2026, the underlying investments in the CDOs for which the Group acted as collateral manager amounted to US$39.0 million. At 30th June 2026, GIB did not hold any exposure to CDOs managed by the Group.

8. Pillar 2 risks

GIB manages and measures other risk types that are not included under Pillar 1 in the CBB's Basel 3 framework through Internal Capital Adequacy Assessment Process (ICAAP). For this purpose, the Group has adopted a "Pillar 1 plus" approach. Pillar 1 capital calculations (for credit, market and operational risk) constitute the minimum capital required by the Group's home regulator, the Central Bank of Bahrain (CBB). In addition to the capital assessment for Pillar 1 risks, the Pillar 2 capital assessment considers risks that are not covered adequately under Pillar 1 risks to ensure sufficient capital coverage for all the underlying risks of the Group's business. This includes an analysis of the Group's liquidity risk, concentration risk, interest rate risk in the banking book (IRRBB), pension obligation risk, reputation risk, information technology risk and macroeconomic risk.

This section describes GIB's Pillar 2 risks that are not addressed in Pillar 1 of the CBB's Basel 3 framework.

8. Pillar 2 risks (continued)

8.1 Other risk types

a) Liquidity risk

The Group has established approved limits at each entity level which restrict the volume of liabilities maturing in the short-term. An independent risk management function monitors the future cash flow maturity profile against approved limits on a daily basis. The cash flows are monitored against limits applying to both daily and cumulative cash flows occurring over a 30-day period. The liquidity limits ensure that the net cash outflows over a 30-day period do not exceed the eligible stock of available liquid resources. The cash flow analysis is also monitored on a weekly basis by the Assets and Liabilities Committee (ALCO).

Customer deposits form a significant part of the Group's funding. The Group places considerable importance on maintaining the stability of both its customer and interbank deposits. The stability of deposits depends on maintaining confidence in the Group's financial strength and financial transparency.

The funding base is enhanced through term financing, amounting to US$6,168.1 million at 30th June 2026. Access to available but uncommitted short-term funding from the Group's established GCC and international relationships provides additional comfort. In addition to the stable funding base, the Group maintains a stock of liquid and marketable securities that can be readily sold or repoed.

At 30th June 2026, 65.2% of total on balance sheet credit exposures were contracted to mature within one year. In relation to deposits, retention records demonstrate that there is considerable divergence between their contractual and effective maturities.

US$19,352.1 million or 64.6% of the Group's total deposits at 30th June 2026 were from GCC countries. Historical experience has shown that GIB's deposits from counterparties in the GCC region are more stable than deposits derived from the international interbank market. At 30th June 2026, placements and other liquid assets with counterparties in non-GCC countries were greater than the deposits received, demonstrating that the Group is a net lender of funds in the international interbank market.

b) Concentration risk

Concentration risk is the credit risk stemming from not having a well-diversified credit portfolio, i.e. the risk inherent in doing business with large customers or being overexposed in particular industries or geographic regions. Concentration risk is captured in GIB's Pillar 2 capital framework through the use of a credit risk portfolio model which considers single-name concentrations and sector concentrations in the credit portfolio.

Under the CBB's single obligor regulations, banks incorporated in Bahrain are required to obtain the CBB's approval for any planned exposure to a single counterparty, or group of connected counterparties, exceeding 15% of the regulatory capital base. At 30th June 2026, the following single obligor exposures exceeded 15% of the Group's regulatory capital base which was approved by the CBB (i.e. exceeded US$659.8 million).

	On-balance sheet exposure	Off-balance sheet exposure	Total exposure
	US$ millions	US$ millions	US$ millions
Counterparty A	8,751.9	-	8,751.9
Counterparty B	5,135.7	78.7	5,214.4
Counterparty C	4,572.3	416.6	4,988.9
Counterparty D	1,869.6	-	1,869.6
Counterparty E	1,319.4	2.2	1,321.6
Counterparty F	1,039.9	-	1,039.9
Counterparty G	797.4	157.3	954.7
Counterparty H	873.3	2.1	875.4
Counterparty I	674.8	-	674.8

8. Pillar 2 risks (continued)

8.1 Other risk types (continued)

c) Interest rate risk in the banking book

Structural interest rate risk arises in the Group's core balance sheet as a result of mismatches in the repricing of interest rate sensitive financial assets and liabilities. The associated interest rate risk is managed through the use of models to evaluate the sensitivity of earnings to movements in interest rates.

The repricing profile of the Group's assets and liabilities, including the trading book, are set out in the table below:

	Within 3 months	Months 4 to 6	Months 7 to 12	Over 1 year	Non-interest bearing items	Total
	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions	US$ millions
Cash and other liquid assets	10,525.4	-	-	-	488.5	11,013.9
Securities purchased under agreements to resell	735.5	192.3	42.4	-	-	970.2
Placements	3,241.6	1,751.0	-	-	-	4,992.6
Investment securities:						
- Fixed rate	1,512.5	276.8	1,110.8	3,760.2	31.2	6,691.5
- Floating rate	4,482.2	46.6	8.0	141.3	-	4,678.1
- Equities	-	-	-	-	20.6	20.6
- Measured at FVTPL	-	-	-	-	104.2	104.2
Loans and advances	12,464.9	1,497.3	924.5	669.4	224.0	15,780.1
Other assets	-	-	-	-	1,655.2	1,655.2
Total assets	**32,962.1**	**3,764.0**	**2,085.7**	**4,570.9**	**2,523.7**	**45,906.4**
Deposits	26,022.1	2,299.6	175.7	-	1,445.9	29,943.3
Securities sold under agreements to repurchase	3,683.1	452.2	42.4	-	-	4,177.7
Other liabilities	-	-	-	-	1,352.7	1,352.7
Term financing	5,827.9	-	-	340.2	-	6,168.1
Equity	-	-	-	-	4,264.6	4,264.6
Total liabilities & equity	**35,533.1**	**2,751.8**	**218.1**	**340.2**	**7,063.2**	**45,906.4**
Interest rate sensitivity gap	**(2,571.0)**	**1,012.2**	**1,867.6**	**4,230.7**	**(4,539.5)**	**-**
Cumulative interest rate sensitivity gap	**(2,571.0)**	**(1,558.8)**	**308.8**	**4,539.5**	**-**	**-**

The repricing profile is based on the remaining period to the next interest repricing date. Derivative financial instruments that have been used for asset and liability management purposes to hedge exposure to interest rate risk are incorporated in the repricing profiles of the related hedged assets and liabilities amounting to US$9,760.9 million as at 30th June 2026.

The substantial majority of assets and liabilities reprice within one year.

Interest rate asset exposure beyond one year amounted to US$4,570.9 million or 10.0% of total assets. This exposure principally represented the investment of the net free capital funds in fixed rate government securities. At 30th June 2026, the modified duration of these fixed rate securities was 4.47 (31st December 2025: 4.78). Modified duration represents the approximate percentage change in the portfolio value resulting from a 100-basis point change in yield. More precisely in dollar terms, the price value of a basis point of the fixed rate securities was US$ 1,751,655 (31st December 2025: US$ 1,377,015) and T1 bond issuance was $230,170 (31st December 2025: US$ 247,890).

8. Pillar 2 risks (continued)

8.1 Other risk types (continued)

c) Interest rate risk in the banking book (continued)

Based on the repricing profile at 30th June 2026, and assuming that the financial assets and liabilities were to rollover upon maturity or settlement with while maintaining a constant balance sheet, an immediate and sustained parallel shift in interest rates across all maturities would result in a decrease in net income before tax for the following year by approximately US$22.7 million (31st December 2025: US$13.8 million) and a decrease in the Group's equity by US$ 412.6 million (31st December 2025: US $281.2 million). The impact on the Group's equity represents the cumulative effect of the increase in interest rates over the entire duration of the mismatches in the repricing profile of the interest rate sensitive financial assets and liabilities.

Currency-wise details of the impact from a Basel parallel shift in interest rates are as follows:

Currency	Impact on Group's Earnings	Economic Value Equity Impact
	US$ millions	US$ millions
United States Dollar (USD)	3.8	(90.3)
Saudi Arabian Riyal (SAR)	(25.1)	(321.0)
Total	**(22.7)**	**(412.6)**

d) Pension obligation risk

Pension obligation risk is the risk that there may be a shortfall with respect to pension benefits due to employees/former employees within the defined benefit schemes of the Group's subsidiaries, GIBUK, GIB KSA and GIB Capital. The scheme was closed to new members during 2002. As a result the Group is exposed to the risk that it will need to make further unexpected future contributions to the scheme. The risk can arise from a number of factors including:

- Increased life expectancy increasing the value of future liabilities;
- Falling interest rates increasing the value of the future liabilities;
- Falling equity prices reducing the value of scheme assets;
- Increased salaries for staff still in employment.

As part of GIB's ICAAP framework, an adverse scenario is applied to the scheme's assets and liabilities on a level of severity expected no more than once in every 200 years, i.e. a 99.5% one year confidence level.

e) Reputational risk

Reputational risk is the risk of losses resulting from adverse perceptions about the Group, its brand and franchise by its various stakeholders that is caused by a variety of internal and external factors. Preventive measures, including controls and processes have been deployed to manage reputational risk. These include a robust and comprehensive governance structure, which is based on set of well-defined policies and procedures.

The Group has established a reputational risk reporting framework, providing relevant stakeholders with periodic overview on key reputational risks, loss event incidents, status of key risk indicators, and required management action. Training sessions on reputational risks are organised for employees to create awareness among them on reputational risk, encourage them to identify and understand emerging internal and external reputational risks, and guide them on the process to take action in order manage or mitigate their impact.

The Group's operating model has been designed to cater transparency and appropriate disclosures. The Corporate Communications function of the Group has the responsibility to ensure effective communications internally with the employees and externally with the media, shareholders, customers and authorities. It is charged with the responsibility of enhancing the image and reputation of the GIB brand through the various activities such as advertising, public relations, sponsorships, and donations.

f) Information Technology (IT) risk

Technology continues to play a critical role in the Bank's operations and in the fulfilment of its strategic objectives. The Group has in place a sound IT and Information Security governance framework that aligns its IT strategy and Information & Cyber Security Strategy with its overall business objectives.

8. Pillar 2 risks (continued)

8.1 Other risk types (continued)

f) Information Technology (IT) risk (continued)

The Group has an IT Audit team with the mandate to examine and evaluate the Group's IT infrastructure, policies and procedures and compliance to those policies. The audits determine whether IT controls protect corporate assets, ensure data integrity and are aligned with the business overall objectives. This culminates in an audit plan which is reviewed and approved by the Board Audit committee. Based on the audit findings, exception reports and recommendations are prepared and sent to the relevant unit for prompt response and/or implementation. Follow up meetings are also made to ensure that issues identified are properly resolved and the recommendations made are being implemented.

In addition, the Group has newly created two teams, Information Security Governance and Information Security Compliance, who have the mandate to perform detailed Information & Cyber Security Risk Assessments and Information Security Compliance reviews.

g) Legal risk

In the ordinary course of its business, as a participant in the financial services industry, the Group may pursue litigation claims against third parties and may also have litigation claims and/or regulatory proceedings filed against it. The Bank has an in-house legal department comprising of qualified legal professionals. The department has put in place adequate policies & procedures and uses assistance of professional legal firms on need basis, to ensure effective and efficient management of legal risk.

h) Strategic risk

Strategic risk refers to the risk to earnings and profitability arising from strategic decisions, changes in the business conditions and improper implementation of decisions. Thus, a strategic risk arises due to adopting wrong strategies and choices that can cause loss to the Group in the form of a reduction in shareholder value and loss of earnings.

Strategic risk is identified, managed, mitigated and monitored jointly by the business (as the 1st line of defence) and the Economics & Strategy Management Unit. The Economics & Strategy Management Unit is responsible for the monitoring and reporting of the Group's strategic initiatives and provides the Management Committee, Board Risk Policy Committee (BRPC), and the Board of Directors a regular update on all the Group's strategic initiatives, including the strategic risks facing the Group. The Management Committee, the BRPC, and the Board review the strategic risks of the Group and ensure that adequate mitigating strategies are in place for the Group's strategic initiatives to be successfully implemented.

9. Capital adequacy ratios and other issues

9.1 Capital adequacy ratios

The Group's policy is to maintain a strong capital base so as to preserve investor, creditor and market confidence and to sustain the future development of the business. The impact of the level of capital on shareholders' return is also recognised as well as the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend pay-out or the issue of new shares.

9. Capital adequacy ratios and other issues (continued)

9.1 Capital adequacy ratios (continued)

The capital adequacy ratios of GIB's subsidiaries, GIBKSA and GIBUK, and the Group were as follows:

	GIBKSA*	GIBUK	Group
	US$ millions	US$ millions	US$ millions
Total RWAs	14,631.0	2,056.5	23,572.8
Capital base	3,149.3	446.5	4,398.5
Tier 1 capital	2,671.6	446.5	4,011.2
Tier 1 ratio	**18.3%**	**21.7%**	**17.0%**
Total ratio	**21.5%**	**21.7%**	**18.7%**

*GIBKSA numbers are inclusive of GIB capital which became a fully owned subsidiary of GIBKSA as of 1st Jan 2021.

GIB's internal target is to maintain a Tier 1 capital adequacy ratio above 11.5% and a total capital adequacy ratio in excess of 15.0%.

Strategies and methods for maintaining a strong capital adequacy ratio

GIB prepares multi-year strategic projections on a rolling annual basis which include an evaluation of short-term capital requirements and a forecast of longer-term capital resources.

The evaluation of the strategic planning projections have historically given rise to capital injections. The capital planning process triggered the raising of additional tier 2 capital through a US$400 million subordinated debt issue in 2005 to enhance the total regulatory capital adequacy ratio, and a US$500 million capital increase in March 2007 to provide additional tier 1 capital to support planned medium-term asset growth. A further US$1.0 billion capital increase took place in December 2007 to enhance capital resources and compensate for the impact of likely provisions relating to exposures impacted by the global credit crisis.

9.2 Leverage ratio

The leverage ratio serves as a supplementary measure to the risk-based capital requirements. The leverage ratio is computed on a consolidated basis and Bahraini conventional bank licensees must meet a 3.0% leverage ratio minimum requirement at all times.

Leverage Ratio components	Total
	US$ millions
Total on-balance sheet exposures (excluding derivatives)	**45,290.4**
Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	685.1
Add-on amounts for potential future exposure (PFE) associated with all derivatives transactions	383.0
Total derivative exposures	**1,068.1**
Off-balance sheet exposure at gross notional amount	8,727.0
(Adjustments for conversion to credit equivalent amounts)	(3,806.8)
Total off-balance sheet exposures	**4,920.2**
Total exposures	**51,278.7**
Tier 1 capital	**4,011.2**
Basel III leverage ratio	**7.8%**

9. Capital adequacy ratios and other issues (continued)

9.3 ICAAP considerations

Pillar 2 in the Basel 3 framework covers two main processes: the ICAAP and the supervisory review and evaluation process. The ICAAP involves an evaluation of the identification, measurement, management and control of material risks in order to assess the adequacy of internal capital resources and to determine an internal capital requirement reflecting the risk appetite of the institution. The purpose of the supervisory review and evaluation process is to ensure that institutions have adequate capital to support the risks to which they are exposed and to encourage institutions to develop and apply enhanced risk management techniques in the monitoring and measurement of risk.

GIB's regulatory capital base exceeded the CBB's minimum requirement of 12.5% throughout the period ended 30th June 2026 Based on the results of capital adequacy stress testing and capital forecasting. As at 30th June 2026, GIB's Total Capital Adequacy Ratio was 18.7%, compared to 17.5% at 31st December 2025.

10. Related party transactions

Refer note 15 to the consolidated financial statements of the Group for the period ended 30th June 2026.

11. Glossary of abbreviations

ALCO	Assets and Liabilities Committee
AMA	Advanced Measurement Approach
Basel Committee	Basel Committee for Banking Supervision
CBB	Central Bank of Bahrain
CCF	Credit Conversion Factor
CDO	Collateralised Debt Obligation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CCO	Chief Credit Officer
CRO	Chief Risk Officer
CVA	Credit Valuation Adjustment
EAD	Exposure at Default
FCA	Financial Conduct Authority (of the United Kingdom)
FVTOCI	Fair Value through Other Comprehensive Income
GCC	Gulf Cooperation Council
GIB	Gulf International Bank B.S.C.
GIBUK	Gulf International Bank (UK) Limited
Group	Gulf International Bank B.S.C. and subsidiaries
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IRRBB	Interest Rate Risk in the Banking Book
LGD	Loss Given Default
MENA	Middle East and North Africa
ORMF	Operational Risk Management Framework
OTC	Over-The-Counter
PD	Probability of Default
PRA	Prudential Regulation Authority (of the United Kingdom)
PSE	Public Sector Entity
RAROC	Risk-adjusted Return on Capital
RWA	Risk-weighted Assets

Appendices

Appendix I – Regulatory Capital: 3-Step Reconciliation

Appendix II – Liquidity Coverage Ratio (LCR)

Appendix III – Net Stable Funding Ratio (NSFR)

Appendix I - step 1

GIB
بنك الخليج الدولي

Step 1: Balance sheet under the regulatory scope of consolidation as at 30 June 2026

US$ Millions	Balance sheet as in published consolidated financial statements	Consolidated PIR data	Reference
Assets			
Cash and other liquid assets	11,013.9	129.4	1,2
Securities purchased under agreements to resell	970.2	-	2
Placements with banks and similar financial institutions	4,992.6	16,847.9	2,3
Investment securities	11,494.4	11,500.5	3
Loans and advances to banks and non-banks	15,780.1	15,918.4	3
Other assets	1,655.2	1,655.1	4
Total assets	**45,906.4**	**46,051.3**	
Liabilities			
Deposits from banks	1,315.8	9,051.0	5
Deposits from customers	28,627.5	20,892.3	5
Securities sold under agreements to repurchase	4,177.7	4,177.7	
Senior term financing	5,768.9	5,768.9	
Other liabilities	1,352.7	1,342.6	3,6
Subordinated term financing	399.2	-	7
Total liabilities	**41,641.8**	**41,232.5**	
Shareholders' Equity			
Paid up share capital	2,000.0	2,000.0	
Reserves	232.3	232.3	
Retained earnings	446.0	446.0	
Tier 2 capital instruments	-	399.2	7
Expected Credit Losses	-	155.1	3
Equity attributable to the shareholders of the Bank	2,678.3	3,232.5	
Non-controlling interest	1,086.3	1,086.3	
Additional Tier 1 capital	500.0	500.0	7
Total equity	**4,264.6**	**4,818.8**	
Total liabilities & shareholders' equity	**45,906.4**	**46,051.3**	

Differences due to PIR requirements:

1 Cash balance reported in PIR is the cash on hand and balances at the Central Bank of Bahrain. Other bank balances are reported under placements.

2 Other bank balances and securities purchased under agreements to resell are included under placements.

3 Expected credit losses (Stages 1 & 2) (loans, securities, placements) and Off Balance sheet provisions are reported separately.

4 Under PIR the following breakdown is applicable:

- Interest receivable	498.7
- Property, plant, and equipment (PPE)	214.1
- Other assets	942.3
Total	**1,655.1**

5 Central Banks deposits are reported under deposits from banks under the PIR, however, these are customer relationships to GIB.

6 Differences between amounts reported in the Balance sheet and the PIR are due to Off Balance sheet provisions.
Under PIR the following breakdown is applicable:

- Interest payable	397.8
- Other liabilities	944.8
Total	**1,342.6**

7 Eligible capital instruments issued by subsidiaries and held by third parties, including Additional Tier 1 and Tier 2 instruments, are recognized in the regulatory capital base

8 Figures are rounded to the nearest US$ million

Appendix I - step 2

GIB
بنك الخليج الدولي

Step 2: Expansion of the Balance sheet under the regulatory scope of consolidation as at 30 June 2026

US$ Millions	Balance sheet as in published consolidated financial statements	Consolidated PIR data	Reference
Assets			
Cash and other liquid assets	11,013.9	129.4	
Securities purchased under agreements to resell	970.2	-	
Placements with banks and similar financial institutions	4,992.6	16,847.9	
Investment securities	11,494.4	11,500.5	
Loans and advances to banks and non-banks	15,780.1	15,918.4	
Other assets	1,655.2	1,655.1	
Total assets	**45,906.4**	**46,051.3**	
Liabilities			
Deposits from banks	1,315.8	9,051.0	
Deposits from customers	28,627.5	20,892.3	
Securities sold under agreements to repurchase	4,177.7	4,177.7	
Senior term financing	5,768.9	5,768.9	
Other liabilities	1,352.7	1,342.6	
Subordinated term financing	399.2	-	
Total liabilities	**41,641.8**	**41,232.5**	
Shareholders' Equity			
Paid up share capital	2,000.0	2,000.0	
of which amount eligible for CET1	-	2,000.0	
of which amount eligible for AT1	-	-	
Reserves	232.3	232.3	
Retained earnings	446.0	446.0	A
Expected Credit Losses	-	155.1	B
Equity attributable to the shareholders of the Bank	**2,678.3**	**2,833.4**	
Non-controlling interest			
CET1 owned by the bank	1,086.3	1,086.3	
Additional Tier 1 capital	500.0	500.0	
Tier 2 capital instruments	-	399.2	
Non-controlling interest Total	**1,586.3**	**1,985.5**	
of which amount eligible for CET1		-	
of which amount eligible for AT1		284.2	
of which amount eligible for T2		232.3	
of which amount ineligible		382.6	
Total equity	**4,264.6**	**4,818.8**	
Total liabilities & shareholders' equity	**45,906.4**	**46,051.3**	

Appendix I - step 3

GIB
بنك الخليج الدولي

Step 3: Composition of Capital Disclosures template as at 30 June 2026

	US$ millions	Component of regulatory capital reported by bank	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation from step 2
	Common Equity Tier 1 capital: instruments and reserves		
1.	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	2,000.0	
2.	Retained earnings	446.0	A
3.	Accumulated other comprehensive income (and other reserves)	1,291.8	
4.	*Not Applicable*		
5.	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6.	**Common Equity Tier 1 capital before regulatory adjustments**	**3,737.8**	
	Common Equity Tier 1 capital: regulatory adjustments		
7.	Prudential valuation adjustments		
8.	Goodwill (net of related tax liability)		
9.	Other intangibles other than mortgage-servicing rights (net of related tax liability)	7.4	
10.	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	3.5	
11.	Cash-flow hedge reserve		
12.	Shortfall of provisions to expected losses		
13.	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)		
14.	Not applicable.		
15.	Defined-benefit pension fund net assets	-	
16.	Investments in own shares (if not already netted off paid-in capital on reported balance sheet		
17.	Reciprocal cross-holdings in common equity		
18.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19.	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20.	Mortgage servicing rights (amount above 10% threshold)		
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22.	Amount exceeding the 15% threshold		
23.	of which: significant investments in the common stock of financials		
24.	of which: mortgage servicing rights		
25.	of which: deferred tax assets arising from temporary differences		
26.	CBB specific regulatory adjustments		
27.	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28.	**Total regulatory adjustments to Common equity Tier 1**	10.9	
29.	**Common Equity Tier 1 capital (CET1)**	3,726.9	
30.	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
31.	of which: classified as equity under applicable accounting standards		
32.	of which: classified as liabilities under applicable accounting standards		
33.	*Directly issued capital instruments subject to phase out from Additional Tier 1*		
34.	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35.	*of which: instruments issued by subsidiaries subject to phase out*		
36.	**Additional Tier 1 capital before regulatory adjustments**	284.2	
	Additional Tier 1 capital: regulatory adjustments		
37.	Investments in own Additional Tier 1 instruments		
38.	Reciprocal cross-holdings in Additional Tier 1 instruments		
39.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40.	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41.	CBB specific regulatory adjustments		
42.	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43.	**Total regulatory adjustments to Additional Tier 1 capital**	-	
44.	**Additional Tier 1 capital (AT1)**	284.2	
45.	**Tier 1 capital (T1 = CET1 + AT1)**	4,011.1	

	Tier 2 capital: instruments and provisions		
46.	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47.	*Directly issued capital instruments subject to phase out from Tier 2*		
48.	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	232.3	
49.	*of which: instruments issued by subsidiaries subject to phase out*		
50.	Provisions	155.1	B
51.	**Tier 2 capital before regulatory adjustments**	387.4	
	Tier 2 capital: regulatory adjustments		
52.	Investments in own Tier 2 instruments		
53.	Reciprocal cross-holdings in Tier 2 instruments		
54.	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
55.	Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56.	CBB specific regulatory adjustments		
57.	**Total regulatory adjustments to Tier 2 capital**	-	
58.	**Tier 2 capital (T2)**	387.4	
59.	**Total capital (TC = T1 + T2)**	4,398.5	
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-2015 TREATMENT OF WHICH:		
	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
	OF WHICH: Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold)		
60.	**Total risk weighted assets**	23,572.8	
	Capital ratios		
61.	Common Equity Tier 1 (as a percentage of risk weighted assets)	15.8%	
62.	Tier 1 (as a percentage of risk weighted assets)	17.0%	
63.	Total capital (as a percentage of risk weighted assets)	18.7%	
64.	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus D-SIB buffer requirement expressed as a percentage of risk weighted assets)	9.0%	
65.	*of which: capital conservation buffer requirement*	2.5%	
66.	*of which: bank specific countercyclical buffer requirement (N/A)*	N/A	
67.	*of which: D-SIB buffer requirement (N/A)*	N/A	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)	15.8%	
	National minima including CCB (if different from Basel 3)		
69.	CBB Common Equity Tier 1 minimum ratio	9.0%	
70.	CBB Tier 1 minimum ratio	10.5%	
71.	CBB total capital minimum ratio	12.5%	
	Amounts below the thresholds for deduction (before risk weighting)		
72.	Non-significant investments in the capital of other financials		
73.	Significant investments in the common stock of financials		
74.	Mortgage servicing rights (net of related tax liability)		
75.	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76.	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	155.1	
77.	Cap on inclusion of provisions in Tier 2 under standardised approach	266.9	
78.	N/A		
79.	N/A		
	***Capital instruments subject to phase-out arrangements* (only applicable between 1 Jan 2020 and 1 Jan 2024)**		
80.	*Current cap on CET1 instruments subject to phase out arrangements*		
81.	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*		
82.	*Current cap on AT1 instruments subject to phase out arrangements*		
83.	*Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)*		
84.	*Current cap on T2 instruments subject to phase out arrangements*		
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

Appendix I - Main Features

PD 3: Main Features of Regulatory Capital Instruments

		US$ millions
1.	Issuer	Gulf International Bank B.S.C.
2.	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	3541088Z
3.	Governing law(s) of the instrument	Bahrain
	Regulatory treatment	
4.	Transitional CBB rules	1291.8
5.	Post-transitional CBB rules	Tier 1
6.	Eligible at solo/group/group & solo	Solo and Group
7.	Instrument type (types to be specified by each jurisdiction)	Common equity
8.	Amount recognised in regulatory capital (Currency in mil, as of most recent reporting date)	4,398.5
9.	Par value of instrument	2,000.0
10.	Accounting classification	Shareholders' equity
11.	Original date of issuance	NA
12.	Perpetual or dated	Perpetual
13.	Original maturity date	NA
14.	Issuer call subject to prior supervisory approval	No
15.	Optional call date, contingent call dates and redemption amount	NA
16.	Subsequent call dates, if applicable	NA
	Coupons / dividends	NA
17.	Fixed or floating dividend/coupon	NA
18.	Coupon rate and any related index	NA
19.	Existence of a dividend stopper	NA
20.	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21.	Existence of step up or other incentive to redeem	NA
22.	Noncumulative or cumulative	NA
23.	Convertible or non-convertible	NA
24.	If convertible, conversion trigger (s)	NA
25.	If convertible, fully or partially	NA
26.	If convertible, conversion rate	NA
27.	If convertible, mandatory or optional conversion	NA
28.	If convertible, specify instrument type convertible into	NA
29.	If convertible, specify issuer of instrument it converts into	NA
30.	Write-down feature	NA
31.	If write-down, write-down trigger(s)	NA
32.	If write-down, full or partial	NA
33.	If write-down, permanent or temporary	NA
34.	If temporary write-down, description of write-up mechanism	NA
35.	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	NA
36.	Non-compliant transitioned features	NA
37.	If yes, specify non-compliant features	NA

Appendix II

Liquidity Coverage Ratio (LCR)

30th June 2026 — BD '000 / US $'000

	Factor	Total Amount	Amount with Factor Applied
Stock of HQLA			
A. Level 1 assets:			
Coins and banknotes	100%	4,072.8	4,072.8
Qualified balances with the CBB	100%	4,981,326.7	4,981,326.7
Debt securities/Sukuk issued by the CBB or the Government of Bahrain	100%	418,836.9	418,836.9
Debt securities/Sukuk issued governments of GCC member states and their central banks;	100%	1,183,087.8	1,183,087.8
Debt securities/Sukuk that can be monetised and issued or guaranteed by sovereigns, central banks, PSEs, IMF, BIS, ECB, EC, or MDBs	100%	452,902.4	452,902.4
Debt securities/Sukuk issued in local currency by sovereign or the country's central bank, where the liquidity risk arises or the banks home country – given a non-0 percent Risk-weight (RW);	100%	-	-
Debt securities/Sukuk issued in foreign currency by sovereign or central bank that does not exceed the value of the net cash outflow in the foreign currency caused by a stress scenario based on the bank's operations in the country where the liquidity risk arises from – given a non-0 percent RW	100%	57,071.0	57,071.0
Total level 1 Assets			**7,097,297.6**
B. Level 2 assets (maximum of 40 percent Of HQLA)			
1) Level 2A assets	Fine		
Debt securities/Sukuk that can be issued and liquidated or guaranteed by sovereigns, central banks, PSEs, and qualified MDBs	85%	388,601.1	330,311.0
Debt securities/Sukuk qualified for liquidation (including commercial paper)	85%	227,700.7	193,545.6
Qualified covered bonds	85%	-	-
2) Level 2B assets (maximum of 15 percent of HQLA)	Fine		
Debt securities/Sukuk (including commercial paper) issued by qualified non-financial institutions	50%	377,838.4	188,919.2
Qualified common equity shares	50%	-	-
Total level 2 Assets (1+2)			**712,775.8**
Total value of stock of HQLA			**7,810,073.4**
Cash Outflows			
A1. Retail Deposits			
Demand deposits and term deposits (maturity within 30 days)			
Stable deposits; and	3%	-	-
Less stable – retail deposits*	10%	537,831.5	53,783.2
Retail and Small Business Customers demand and fixed deposits (for overseas branches and subsidiaries)*	-		
B. Unsecured Wholesale Funding			
1) Small business customer deposits:			
Less stable deposits	10%	-	-
			-
2) Operational deposits generated by clearing, custody, and cash management:	25%	-	-
			-
3) Deposits from non-financial institutions, sovereign, central banks, multilateral development banks, PSEs, and Bahrain's Social Insurance Organization and GCC PIFs where PIF is a controller of the bank.	40%	18,264,280.6	7,305,712.2
			-
4) Deposits from Financial Institutions and other legal entity corporations.	100%	169,902.1	169,902.1
C. Secured Funding			
Backed by level 1 assets or with central banks	0%	567,916.0	-
Backed by level 2A assets	15%	336,603.2	50,490.5
Secured funding transactions with domestic sovereign, PSE's or multilateral development banks that are not baked by level 1 or 2A assets	25%		-
Backed by other level 2B assets	50%	524,121.1	262,060.6
All others	100%	4,232.9	4,232.9

Appendix II (Cont.)

Liquidity Coverage Ratio (LCR)

30th June 2026 — BD '000/ US $'000

	Factor	Total Amount	Amount with Factor Applied
D. Other Cash Outflow			
Net derivative cash outflow	100%	50,215.1	50,215.1
Asset-backed securities, covered bonds, and other structured financing instruments	100%	-	-
Asset-backed commercial paper, securities paper, securities investment vehicles, and other similar financing tool	100%	-	-
Committed: credit and liquidity facilities given by bank to:			-
Retail and small business customers, including credit cards (from amount not used)	5%	-	-
Non-financial corporates, sovereigns and central banks, PSEs and multilateral development banks (from amount not used) - Credit	10%	1,391,743.7	139,174.4
Non-financial corporates, sovereigns and central banks, PSEs and multilateral development banks (from amount not used) - Liquidity	30%	-	-
Banks subject to prudential supervision (from amount not used)	40%	-	-
Other financial institutions (including securities firms and insurance firms) (from amount not used) - Credit	40%	-	-
Other financial institutions (including securities firms and insurance firms) (from amount not used) - Liquidity	100%	-	-
Other legal entities (from amount not used)	100%	119,055.2	119,055.2
Other Contingent Funding Obligations:			-
Guarantees, LCs, revocable credit and liquidity facilities, non-contractual commitments	5%	9,194,702.4	459,735.1
Customer short positions that are covered by other customers' collateral	50%		-
Increased liquidity needs related to the potential for valuations changes on posted collateral	20%	-	-
Other contractual cash outflows	100%	256,665.1	256,665.1
Total Cash Outflow			**8,871,026.2**
Cash Inflows			
A. Secured lending transactions backed by the following asset category			
Level 1 assets	0%	-	-
Level 2A assets	15%	-	-
Level 2B assets	50%	-	-
Margin lending backed by all other collateral	50%	-	-
Other collateral	100%	-	-
B. Committed facilities – credit and liquidity facilities given to banks	0%	-	-
C. Other inflows by			
Retail and small business customer	50%	5,982.6	2,991.3
Non-retail customers:			
1. Financial institutions and central banks	100%	1,619,866.3	1,619,866.3
2. Non-financial institutions	50%	707,300.8	353,650.4
Operational deposits held at other financial institutions	0%		-
D. Other net derivative cash inflows	100%	60,802.6	60,802.6
E. Other contractual cash inflows	100%	161,166.4	161,166.4
Total Cash Inflows			**2,198,477.0**
Net cash outflow = total cash outflow – total cash inflow or lowest value (75 percent of total cash outflow)			**6,672,549.2**
Liquidity coverage ratio (LCR) – HQLA / Net cash outflow (%)			**117.0%**

* The run-off figures for retail/small business deposits (overseas branches and subsidiaries) will be based on host jurisdictions factors in which the bank operates.

Appendix III

Net Stable Funding Ratio (NSFR)

All figures in US$ millions

No.	Item	Unweighted Values (i.e. before applying relevant factors)				30th June 2026	
		No specified maturity	Maturing in less than 6 months	Maturing in more than 6 months and less than one year	Maturing over one year	Total unweighted value	Total weighted value
Available Stable Funding (ASF):							
1	Capital:						
2	Regulatory Capital	3,727.0	-	-	284.2	4,011.2	4,011.2
3	Other Capital Instruments	37.6	-	-	615.0	652.6	652.6
4	Retail deposits and deposits from small business customers:						
5	Stable deposits						
6	Less stable deposits	224.5	1,136.1	23.9	-	1,384.5	1,246.0
7	Wholesale funding:						
8	Operational deposits						
9	Other wholesale funding	14,229.1	18,130.6	1,280.3	5,003.3	38,643.3	15,523.3
10	Other liabilities:						
11	NSFR derivative liabilities						
12	All other liabilities not included in the above categories						
13	**Total ASF**						**21,433.1**
Required Stable Funding (RSF):							
14	Total NSFR high-quality liquid assets (HQLA)						1,931.0
15	Deposits held at other financial institutions for operational purposes						
16	Performing loans and securities:						
17	Performing loans to financial institutions secured by Level 1 HQLA	-	477.8	42.4	-	520.2	69.0
18	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	724.8	4,188.1	370.6	549.0	5,832.4	1,471.2
19	Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	7,397.6	1,233.9	4,983.3	13,614.8	8,551.6
20	- With a risk weight of less than or equal to 35% as per the CBB Capital Adequacy Ratio guidelines	-	-	-	2,164.6	2,164.6	1,407.0
21	Performing residential mortgages, of which:						
22	- With a risk weight of less than or equal to 35% under the CBB Capital Adequacy Ratio Guidelines						
23	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	115.3	941.2	106.9	338.0	1,501.3	966.6
24	Other assets:						
25	Physical traded commodities, including gold						
26	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs		81.0	-	-	81.0	68.9
27	NSFR derivative assets		222.0	-	-	222.0	222.0
28	NSFR derivative liabilities before deduction of variation margin posted		51.6	-	-	51.6	51.6
29	All other assets not included in the above categories	300.1	-	-	-	300.1	300.1
30	OBS items		3,471.6	1,524.4	5,709.5	10,705.5	535.3
31	**Total RSF**						**15,574.3**
32	**NSFR (%)**						**137.6%**