بنك الخليج الدولي

Gulf International Bank - Saudi Arabia

Annual Report 2023

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The Custodian of the Two Holy Mosques
King Salman bin Abdulaziz Al Saud
King of the Kingdom of Saudi Arabia

His Royal Highness
Prince Mohammed bin Salman bin Abdulaziz Al Saud
Crown Prince, Deputy Prime Minister and Minister of Defence


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بنـك الخليـج الدولي

Gulf International Bank - Saudi Arabia

Gulf International Bank began operating in the Kingdom of Saudi Arabia in 1999 as a foreign bank, providing wholesale and investment banking services. In 2019 GIB became the first foreign domiciled bank to establish a local commercial bank in the Kingdom with the conversion of its existing branches into a fully-fledged bank, Gulf International Bank - Saudi Arabia (GIB Saudi Arabia).

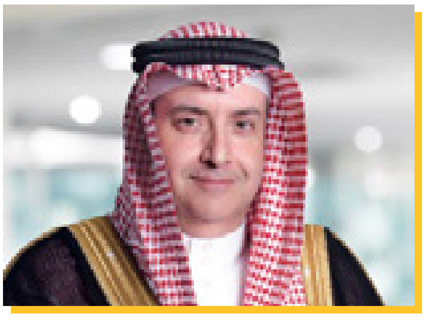
GIB Saudi Arabia provides diverse financial products, services and bespoke banking solutions to a wide client base. GIB Saudi Arabia aims to be the trusted business partner recognised for innovation, regional expertise, and international reach; providing tailored solutions that leverage our digital advantage across wholesale and retail banking with its Riyadh-based subsidiary, GIB Capital, delivering the Bank's investment banking and asset management activities.

GIB Saudi Arabia is owned equally by the Saudi Public Investment Fund and Gulf International Bank B.S.C., with a paid-up capital of SAR 7.5 billion. GIB Saudi Arabia is headquartered in Al Khobar and has branches in Riyadh and Jeddah, and its subsidiary GIB Capital based in Riyadh.

The trusted partner recognised for innovation, regional expertise and international reach

Board of Directors

Mr. Abdulla bin Mohammed Al Zamil
Chairman



Mr. Abdulaziz bin Abdulrahman Al-Helaissi
Executive Director and
Chief Executive Officer

Mr. Selman Fares M. Al Fares
Vice Chairman

Dr. Najem bin Abdulla Al Zaid
Director

Mr. Rajeev Kakar
Director

Mr. Sultan bin Abdul Malek Al Sheikh
Director

Mr. Bander bin Abdulrahman bin Mogren
Director

Mrs. Anju Patwardhan
Director

Engr. Muhannad bin Kusai bin Hasan Al Azzawi
Director

Mr. Yousef Al-Harjan
Director

Financial Highlights

	2023	2022	2021	2020
Financial performance (SAR millions)				
Net income / (loss) after Zakat	**220.5**	131	110.96	(437.9)
Net special commission income	**910.3**	639.2	469.6	461.1
Net fee and commission income	**287.5**	240.3	180.3	94.3
Operating expenses before expected credit losses	**891.1**	749.5	612.2	527.3
Financial position (SAR millions)				
Total assets	**46,602.8**	42,427.1	37,789.6	32,882.4
Loans and advances	**27,300**	24,790.7	23,574.9	18,761.7
Investments	**9,105.5**	6,792.4	5,866.5	3,161.1
Customer deposits	**32,105.6**	29,595.0	27,236.5	22,368.4
Total equity	**7,499.8**	7,231.8	7,117.6	7,059.2
Ratios (per cent)				
Profitability / (loss)				
Return on equity	**2.9**	1.8	1.6	(6.2)
Return on assets	**0.5**	0.3	0.3	(1.3)
Capital				
Capital Adequacy ratios				
- Tier 1	**16.76**	19.52	21.37	25.8
- Tier 2	**20.83**	20.2	22.12	26.48
Equity as % of total assets	**16.09**	17.05	18.83	21.5
Assets quality				
Investments as % of total assets	**19.53**	16.01	15.52	9.6
Loans and advances as % of total assets	**58.58**	58.43	62.38	57.1

Chairman's statement

Abdulla bin Mohammed Al Zamil
Chairman of the Board

"GIB KSA is the Driving Force and Operational Backbone of a Truly Regional Banking Group."

On behalf of the staff, management and Board of Directors of Gulf International Bank Saudi Arabia, I am pleased to present the Annual Report and consolidated financial statements for the fiscal year ended 31 December 2023.

At a global macro level, 2023 was in many ways a volatile and challenging year, with rising interest rates, concerns over the world's largest economies and high levels of inflation. Against this backdrop, however, the GCC proved a remarkably resilient geography, and I am delighted to report that GIB recorded one of its most profitable years.

This sound performance can be attributed to the execution of a multi-year strategy which has resulted in 2023 being a year of record earnings, a healthy asset base, a strong balance sheet, improved margins, and enhanced customer relationships.

GIB's strategic execution has seen the Bank develop rapidly into a more meaningful player in the GCC, a regionwide institution with the reach and capability to connect the Gulf to the UK and the United States.

Economic and Market Environment

While much of the world wrestled with economic headwinds in 2023 including inflation and high interest rates, conditions in the Kingdom of Saudi Arabia and the GCC region have been more stable. With oil prices averaging more than US$ 80 a barrel over the year, robust government spending has given confidence to private sector investment despite successive OPEC+ production cuts. The region's banks have also remained on a solid footing, while capital markets saw a stream of IPO's as well as a healthy issuance of green and sustainability-linked debt instruments. The growing role of sustainable finance in the GCC has further augmented ongoing efforts to embed sustainability at the forefront of national development plans including investments in renewable energy.

Leading the regional economic momentum has been the Gulf's vibrant non-oil sector, driven by higher domestic demand, increased investments, and a demonstrated commitment to economic reform implementation, in line with the national strategic initiatives underway as part of Vision 2030. These programs provide a powerful framework to reshape the economy of Saudi Arabia, underpinned by the ambition to diversify and grow new economic sectors such as tourism, entertainment, and sports; build a robust private sector; rebalance government finances; attract inward foreign investment; build a global footprint; and invest in transformative projects.

Financial Performance

GIB is capitalising on the momentum of a robust yet sustainable performance in 2023. With a net income of SAR 220.5 million,, marking a 68 per cent increase from 2022, the Bank has demonstrated its dedication to generating competitive shareholder returns and achieving strategic objectives. The growth trajectory in Return on Equity, driven by expansion in core business lines, favourable market conditions, and the positive effects of a rising interest rate environment, resulted in a 35 per cent increase in gross income to SAR 1,349.5 million.

Moreover, this impressive performance is attributed to focussing on value-accretive offerings and greater attention to fee generating businesses, coupled with proactive balance sheet management. The Bank has transitioned from providing lending products and services to becoming a trusted advisor and partner to clients. In line with the Bank's strategic agenda to diversify core revenue, non-interest income rose by 22 per cent to SAR 439 million, comprising fee-based offerings, FX income, and enhanced cross-selling initiatives.

The Bank maintains and actively manages its balance sheet, with consolidated assets reaching SAR 46.6 billion by year-end.

Loans and advances stood at SAR 27.3 billion at the end of 2023, compared to SAR 24.8 billion the previous year, indicating controlled loan growth in alignment with client growth ambitions. A detailed report and analysis of the Bank's financial performance for 2023 are presented in the Financial Review section.

Chairman's statement (continued)

Funding Profile

GIB KSA grew its balance sheet to reach SAR 46.6 billion by the end of 2023. This increase was attributed to an 8 per cent surge in customer deposits, the issuance of a SAR 1.5 billion 10 year Tier 2 Sukuk and a 10 per cent expansion in the loan portfolio. The Bank's LCR ratio at 202.8 per cent and NSFR at 144.7 per cent indicate a high level of liquidity and stable funds. This underscores the ongoing trust of our clients and counterparties and reaffirms the Bank's commitment to broadening and diversifying its funding sources.

Our strategies encompass securing more competitive and stable funding through further emphasis on global transactional banking and retail activities. Additionally, during the year, the diversification of the Bank's funding base was further bolstered by the aforementioned Sukuk issuance.

Ratings Confirmation

During the year, we achieved another significant milestone in our journey when the Bank's credit rating was upgraded by Moody's to A3 and reaffirmed by Fitch Ratings at A-. This upgrade, coupled with a positive outlook from Moody's, reflects the Bank's sustained improvement in its asset risk profile and profitability indicators, as well as favourable asset diversification and supportive operating conditions.

Strategic Progress

We demonstrated significant progress in the execution of our strategy and our strong outlook is a testament to our focus on client-centricity and targeted investment in people and technology.

The growth in our revenues, in particular non-funded revenues, reflects the significant strides made in our strategic priorities of increasing and diversifying revenue streams and reducing reliance on lending income. By prioritising client requirements, targeted client acquisitions, collaborative cross-selling, sustainability expertise, and fostering a customer-centric approach in managing relationships, our growing customer base was matched by increased and diversified income streams.

We continued to leverage our international network and offerings to capture trade and financial flows between the Saudi Arabia and the rest of the world. The active execution of government strategies along with GIB's 'niche reach' presents a unique opportunity to capitalise on economic opportunities.

Our Investment Banking and Advisory business in GIB Capital witnessed another remarkable year, executing notable transactions, advising major regional M&A transactions and becoming the first bank entity to be an Independent Financial Advisor on an IPO transaction Saudi Arabia. This was a major achievement that positioned us strongly in an exciting market.

Chairman's statement (continued)

Sustainability

The global trend towards reporting and disclosure of environmental, social and governance (ESG) metrics accelerated in 2023, with significant developments in the Gulf. As GIB KSA embarked on its journey to being a fully sustainable organisation some years ago, I am therefore delighted to be able to report that we are making good progress in this regard. The Bank is a key contributor to the Saudi Central Bank's extensive ESG work programme and we published our Sustainable and Transition Finance Framework (STFF), which sets out how we classify and manage sustainable finance transactions. The framework covers the majority of our business activities, and will help GIB support the world's transition to a sustainable economy. Another key element of our sustainability strategy is our embrace of the Diversity, Equity and Inclusion (DEI) agenda. GIB KSA has achieved one of the highest rates of female representation across the workforce of any bank in KSA. 2023 also saw GIB KSA become a signatory to the UN's Women's Empowerment Principles.

Looking Ahead

Our 2023 results show a bank that is confident in its strategy, which is being executed at pace. They show a bank that is determined to maintain its sustainable growth trajectory. They show that GIB KSA is a truly regional bank, with strong links to Europe and North America, which is growing with its clients and bringing its expertise and knowledge to deliver mutual benefits. The steps that we have taken over the past few years, and continue to take, are positioning the Bank well for further sustainable growth.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation for the unwavering confidence and support of our shareholders, the enduring trust and loyalty of our clients and the continued support of our counterparties. We are also grateful for the ongoing advice and guidance that we receive from the regulatory and supervisory bodies within Saudi Arabia. I also take this opportunity to pay tribute to the commitment and professionalism of our management and employees for delivering on the Bank's strategic transformation.

Abdulla bin Mohammed Al Zamil
Chairman of the Board

CEO's statement

Abdulaziz bin Abdulrahman Al-Helaissi
Chief Executive Officer and Board Member

"Our commitment to excellence across financial services, digital innovation, and sustainability has been validated by landmark transactions, awards won by our regional and international entities, and expanding market presence."

2023 marked a year of remarkable evolution and progress. Throughout 2023, we remained dedicated to executing an ambitious transformation agenda, yielding yet another year of record revenues and increased shareholder value. This success was underscored by the growth in our return on equity, reflected by our ability to implement our strategic priorities.

Our commitment to excellence across financial services, digital innovation, and sustainability has been validated by landmark transactions, awards won by our regional and international entities, and expanding market presence. Our strong asset quality, proactive risk management, and adaptive strategies, supported by world-class risk frameworks, empower the group to manoeuvre through changing market conditions with agility. This has ensured the stability of our balance sheet, safeguarded capital preservation, and maintained profitability. Moreover, our distinctive geographic footprint and transformative strategies offer substantial upside to growth and expansion.

This accomplishment is a testament to the effectiveness of our corporate strategy, our customer-centric business model, the solid foundation of our management team, and the agility with which we navigate market dynamics. Above all, it speaks to the calibre of our workforce.

People

At GIB, we believe that our people are our greatest asset, and it is with immense pride that we witness the calibre of talent we cultivate and attract from both regional and international institutions. Their drive, energy, and unwavering commitment to pushing the boundaries continually inspire us.

Our investment in people is clear throughout the group and in our standing within the market. Whether through the increasing representation of women across all levels, nurturing local talent, or targeted training initiatives, we remain committed to fostering a culture of excellence and developing future leaders.

Group CEO's Statement (continued)

Technology and Efficiencies

As technological advancements reshape the industries in which we operate, we embrace a digital-first approach not only to enhance the client experience but also to drive efficiencies and create value. Our focus on operational excellence leverages emerging technologies such as machine learning and robotic process automation, ensuring that we remain responsive to meeting the evolving needs of our clients.

In 2023, our client-centric technology and efficiency initiatives, such as our award-winning API solutions tailored for corporate and MSME clients, including bespoke, sector-specific offerings in line with Vision 2030 initiatives, exemplified our dedication to delivering superior service across all our businesses.

Sustainability

Sustainability is ingrained in GIB's DNA, and in 2023, we furthered our commitment to sustainable finance offerings, whilst improving governance frameworks and transparency in reporting. The establishment of the Board Sustainability and Climate Change Committee underscores our dedication to this cause and positions us as regional pioneers in the field.

Looking ahead

Looking ahead, we are energised by the prospects that await us. Our commitment to innovation and client-centricity remains unwavering as we strive to cement our position as a market leader in the region. We will continue to pursue strategic growth initiatives, invest in digital transformation, and uphold sustainable practices.

GIB is steadfast in maintaining financial prudence, bolstering our balance sheet, and adhering to best-in-class compliance and governance standards. The achievements of 2023 underscore what is possible when the right team, dedicated to serving our clients, executes the right strategy. As we look to the future, both the Board and management are committed to sustained growth and prosperity in 2024 and beyond.

Abdulaziz bin Abdulrahman Al-Helaissi
Chief Executive Officer and Board Member

Deals and Transactions

REGIONAL TRANSACTIONS

WHOLESALE BANKING

Rawabi Energy and its subsidiaries

GIB acted as Joint Global Coordinator, Mandated Lead Arranger and Security Agent in addition to Account Bank of Rawabi Oil and Gas for the largest private sector syndicated financing in history for the Saudi market in terms of total deal size. The syndication is SAR 7.175 billion multi-currency senior secured term and revolving SAR and USD facilities.

The Helicopter and Jet company (THC)

GIB – KSA was appointed as the Underwriter, Sole Structuring Bank, and Facility Agent for a SAR 800 million facility for 10 years to finance the purchase of aircraft. The long-term Murabaha financing granted by GIB is being used to support the company's CAPEX requirements. The facility has been used to purchase new helicopters to grow the company's fleet to 70 helicopters by 2025. This transaction is considered one of its kind in Saudi Arabia, i.e., Helicopter Financing. The establishment of THC by PIF is part of Saudi Vision 2030 aimed at unlocking a new industry to support the Kingdom's transportation infrastructure and diversify the transportation services provided. This will create a thriving and resilient aviation ecosystem in the Kingdom.

DP World Middle East Ltd. – DPW Jeddah

GIB – KSA was a Mandated Lead Arranger in a senior secured club facility of SAR 1.281 billion to support global logistics business DP World, for the expansion of the Jeddah Islamic Port – South Terminal. The project finance structure has been negotiated under DP World's renewed 30 years concession by Mawani. The facility will be used to finance the project to upgrade and expand the terminal's capacity in compliance with the concession. GIB – KSA was a Mandated Lead Arranger, an Account Bank and a Senior Hedging Bank.

Deals and Transactions (continued)

REGIONAL TRANSACTIONS

INVESTMENT BANKING: MERGERS & ACQUISITIONS

First Mills Company – *Initial Public Offering*

Underwriter and Advisor to the Selling Shareholders for the successful SAR 998 million IPO of First Mills Company, offering 16.65 million shares representing 30 per cent of its share capital. First Mills Company is the market leader in the milling industry in the Kingdom of Saudi Arabia and the first of its kind to be listed on the Saudi Exchange as part of the privatisation programme under Saudi Arabia's Vision 2030. The institutional tranche was more than 68.9 times oversubscribed and received SAR 69 billion in bids; while the retail tranche was more than 9.96 times oversubscribed.

ADES Holding – *Initial Public Offering*

Joint Bookrunner and Joint Underwriter for the successful SAR 4.5 billion IPO of ADES, offering 338.7 million shares representing 30 per cent of its share capital. ADES is a leading oil and gas drilling and production services provider in the Middle East and North Africa region. The IPO attracted SAR 293 billion in orders in bids, representing 63.7 x oversubscription rate, marking the biggest listing of the year in the Kingdom of Saudi Arabia.

Government Fund – *Acquisition of Multiple Construction Companies*

Joint Financial Advisor to a government fund in the acquisition of stakes in multiple leading construction companies in the Kingdom of Saudi Arabia with a total investment reaching SAR 4.9 billion by way of a subscription for new shares as part of the capital increase in each company. This transaction will have a profound impact on the construction and services sector in the Kingdom of Saudi Arabia and received significant attention from local and international investment communities and major media outlets.

Public Investment Fund (PIF) – *Sale of Stake in GASCO*

Financial Advisor to PIF in relation to divestment of its 10.92 per cent full stake in National Gas & Industrialization Company (GASCO) with a transaction value of SAR 420 million, through a private sale under the M&A rules to Jadwa Investment. This transaction set a precedent as an alternative monetisation route to realising PIF's capital recycling strategy.

National Medical Care (NMC) – *Acquisition in Multiple Targets*

Financial Advisor to National Medical Care Company (Care) on the full acquisition of two targets operating within the healthcare landscape, namely Jiwar Medical Services Company and Chronic Care Specialised Medical Hospital, for a total consideration of SAR 259 million. The two acquisitions aim to contribute towards achieving Care's investment strategy to expand in the healthcare services sector and take advantage of the growth opportunities available in the market.

SUKUK & BOND ISSUANCE

Gulf International Bank – Saudi Arabia – *Sukuk Issuance*

Sole Manager for GIB – KSA's debut SAR 1.5 billion Tier 2 Sukuk issuance. The transaction demonstrates GIB Capital's capability to access a wide investor base and provide robust advice to assist issuers in navigating challenging market conditions.

Public Investment Fund (PIF) – *Green Bond Issuance*

Joint Bookrunner on the Reg S only SAR 21 billion triple-tranche Green Bond in February 2023. Through our role in securing orders totalling SAR 30 billion in Saudi Arabia, GIB Capital demonstrated its ability to meet PIF's KPI for a successful closing. GIB Capital was the only Saudi investment bank mandated on the transaction.

Rawabi Holding Company – *Sukuk Issuance*

Joint Lead Manager and Bookrunner to the Rawabi Holding Sukuk issuance of SAR 874 million priced in February 2023, which marked Rawabi Holding's largest ever Sukuk issuance since its first Sukuk program was established in 2020 despite facing challenging and volatile market conditions. Additionally, GIB Capital was mandated again by Rawabi Holding for the second triple-tranche Sukuk issuance of SAR 461 million priced in November 2023.

Government of Sharjah – *Sustainability Bond Issuance*

GIB Capital served as a Joint Active Bookrunner and Lead Manager. The Emirate of Sharjah priced its inaugural Sustainability Bond offering (its first ever ESG sovereign issuance out of the GCC region) with SAR 3.75 billion 6.5 per cent long 9-year tranche to yield 6.618 per cent. Additionally, GIB Capital won a second mandate to act as Joint Active Bookrunner and Lead Manager for the Sukuk long 10-year SAR 2.8 billion issuance (the longest Sukuk ever issued by a GCC sovereign). GIB Capital was the only Saudi investment bank mandated on both transactions.

Greensaif Pipelines – *Triple-tranche Sukuk and Bond Issuance*

GIB Capital acted as a Joint Bookrunner on the transaction and was positioned by the issuer to support the marketing process for key investors through securing a large book of orders. Greensaif Pipelines priced a Reg S/144A SAR 17 billion triple-tranche project financing transaction with the books closed in excess of SAR 75 billion, representing 4.4 x oversubscription.

Awards

AWARDS

Saudi Trade Finance Awards 2023
- Best Trade Finance Bank 2023 Saudi Arabia
- Customer's Choice Trade Finance Bank 2023 Saudi Arabia
- Best Supply Chain Finance Bank 2023 Saudi Arabia
- Best Transaction Banking Team 2023 Saudi Arabia

The Digital Banker Global Transaction Banking Innovation Awards 2023
- Best Bank for Supply Chain Finance in Saudi Arabia
- Best Bank for Trade Finance in Saudi Arabia

EMEA Finance Treasury Services Awards 2023
- Best Payment Services in the Middle East

Global Finance Innovators Awards 2023
- Best API Banking Initiative

Bonds, Loans & Sukuk Middle East Awards
- ESG Loan Deal of the Year
- Metals & Mining Deal of the Year
- ESG Bond Deal of the Year

EMEA Finance
- Best Islamic Finance Facility

Sustainability review

GIB is committed to sustainability (which encompasses environmental, social and governance (ESG) factors), both in terms of our business offerings and the way we conduct our business.

We believe that finance can be used as a force for good and that we can support our clients in their journey towards transitioning to a more sustainable economic approach.

In 2023, we prioritised the below areas:

- Expanding our sustainable finance activities and supporting clients on sustainability-related matters
- Embedding sustainability in how we operate, particularly with respect to meeting environmental and gender representation targets
- Reporting transparently on our sustainability-related activities and impacts
- Engaging with policy-makers on relevant sustainability-matters

Full details on the Bank's sustainability approach, record and metrics can be found in our 2023 Sustainability Report which will be published shortly.

Corporate social responsibility review

CSR review

Since 1975, GIB has developed a proud tradition and legacy of actively participating, donating and collaborating with the communities in which it operates. The Bank's approach to CSR is to identify and partner with groups, causes, communities, stakeholders and themes where it can ensure long-term positive results from its philanthropic and voluntary involvement.

CSR activity also provides a valuable opportunity for our people to volunteer their time in support of others, and the bank proactively encourages and assists them to do so.

2023 CSR Activities in the GCC:

CSR Initiative	Overview
Aknan Charity	GIB Saudi Arabia provided support to this housing charity, which assists families in improving the quality of their housing.
Tarahum	GIB donated to Tarahum to continue our support for the Eastern Province community.
Food Bank	GIB volunteers prepared 250 food baskets as part of our Ramadan baskets initiative in cooperation with the Saudi Food Bank Charity in Dammam.
Disabled Association for Children	GIB supported the Saudi Children with Disabilities Association's "Mubadaraty" programme. This included funding for 700 educational sessions where children with disabilities receive an educational programme according to their age and abilities. The rehabilitation sessions motivate the child's linguistic, cognitive, social, and motor skills using a range of tools to match the student's abilities.
Ithra	Our collaboration with Ithra is part of our main strategy to further deepen our involvement and community presence in Saudi Arabia's Eastern Province. In 2023 we partnered with Ithra by sponsoring one of its largest programme, the "Tanween, Ithra's Creativity Season", a range of activities to promote Saudi youth development, through supporting creative and sustainable programmes and initiatives related to talent development and cross-cultural experiences.
Environmental Green Horizons Society	As part of the sustainability agenda, GIB Saudi Arabia engaged with the Environmental Friends Society in the Eastern Province and the Green Horizons Environmental Association in Riyadh, supporting their tree planting initiatives in Al Khobar and Riyadh in areas in need of reforestation.
Jammaz Al Suhaimi Scholarship Programme	Providing support for students to continue their education at the university level, in coordination with GIB's Learning and Development unit.

Financial review

GIB's financial performance in 2023 marks a strong turnaround in a challenging business environment. GIB's financial performance in 2023 demonstrated robust progress on a number of strategic initiatives.

Total operating income for the year increased to SAR 1,349.5 million from SAR 998.4 million in 2022, as a result of increased and diversified revenues, one of the Bank's key strategic initiatives. Total operating expenses of SAR 1,081.9 million compared to SAR 845.3 million the previous year, resulting in net income before provisions and Zakat of SAR 458.4 million, up from SAR 248.9 million in 2022.

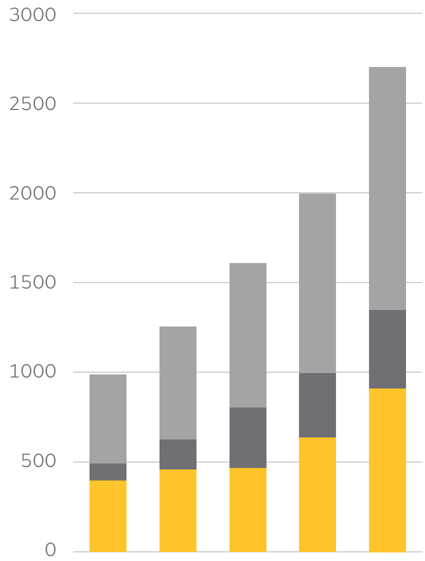
A net provision charge of SAR 190.8 million was recorded in 2023, versus a SAR 95.8 million charges in the previous year. The successful introduction of a Special Assets Unit to proactively manage recoveries and the increase in the loan portfolio aided in increasing in the Bank's total provision coverage ratio to 141 per cent in 2023 from 124 per cent in 2022 and NPL ratio changed to 2.1 per cent in 2023 from 2.5 per cent in 2022.

As a result of the above, GIB reported a net profit of SAR 220.5 million for the year compared to SAR 131 million in 2022.

The Bank continued to maintain a strong balance sheet, with consolidated total assets at the end of the year standing at SAR 46.6 billion, and the asset profile continuing to reflect a high level of liquidity. Cash and other liquid assets that includes cash and balances with Saudi Central Bank (SAMA) and due from banks other financial institutions, stood at SAR 9 billion, representing 19 per cent of total assets. Loans and advances at the end of 2023 of SAR 27.3 billion compared to SAR 24.8 billion the previous year, an increase of 10 per cent, while customer deposits stood at SAR 32.1 billion in 2023 with a strong Loans to Deposits (LTD) Ratio.

Financial review (continued)

Gross income development
(SAR millions)



	2019	2020	2021	2022	**2023**
Net interest income	399.6	461.1	469.6	639.2	**910.3**
Non-interest income	93.6	166.5	334.6	359.2	**439.2**
Gross income	493.3	627.6	804.2	998.4	**1,349.5**

NET INTEREST INCOME

Net interest income for 2023 increased to SAR 910.3 million from SAR 639.2 million in the previous year, up by 42 per cent, with the Bank benefitting from an increase in the prevailing market interest rates to earn higher interest income as compared to prior year.

Interest income is principally derived from the following sources:

- Loans and advances
- Investment securities
- Placements

Interest expense is principally incurred on the following sources:

- Deposits from banks and other financial institutions
- Customer deposits
- Subordinated debt

Interest income on loans and advances of SAR 1,829 million was up by 102 per cent from prior year, interest income on investment securities of SAR 354 million was up by 139 per cent from prior year, and interest income on placements with banks and other financial institutions of SAR 455 million, up by 182 per cent from prior year.

The higher market interest rates and volume of the customer deposits contributed an increase in the interest expense on customer deposits by SAR 1.1 billion, up by 205 per cent.

As a result of all above factors, the Bank's net interest income increased by SAR 271 million as compared to prior year.

NON-INTEREST INCOME

Non-interest income comprises fee and commission income, exchange income, trading income, dividend income and other income.

Fee and commission income of SAR 287.5 million was 20 per cent up on the prior year level, reflecting the success of the bank's strategic initiative of revenue diversification. An analysis of fee and commission income with prior year comparatives is set out in note 21 to the consolidated financial statements. Commissions on letters of credit and guarantee at SAR 97 million were the major source of fee-based income, comprising 34 per cent of fee and commission income for the year.

Investment banking and management fees comprise fees generated by the Group's asset management, fund management, corporate advisory, debt and equity capital markets and brokerage, and underwriting activities. Investment banking and management fees of SAR 106 million represented 37 per cent of fee and commission income.

The Group's various trading activities recorded a SAR 69 million income for 2023. An analysis of trading income is set out in note 23 and 24 to the consolidated financial statements. Trading income principally comprised mark-to-market changes recorded on equity securities and funds classified as fair value through profit or loss (FVTPL), commodity options and customer-related interest rate derivatives.

The Bank proactively assessed FX requirements in the prevailing market conditions. Foreign exchange income at SAR 77 million for the year representing 6 per cent of the total operating income .

Foreign exchange income principally comprises income generated from customer-initiated foreign exchange transactions that are offset in the market with matching transactions. Accordingly, there is no market risk associated with the transactions that contribute to this material source of income. The continued strong foreign exchange earnings reflected continued success in the cross-selling of innovative products to meet customers' requirements, and the development of new products to meet their changing needs.

A growing demand is being witnessed for these products as customers experience the benefits derived in effectively managing and hedging their currency exposures. During 2023, the Group continued to expand its customer base to create a broader and a more desirable diversification of earnings from these products, as well as generating repeat business from existing clients.

Dividend income was at SAR 4 million for the year 2023 against SAR 11.6 million for the prior period and represented dividends from the Bank's strategic equity portfolio.

Other income stood at SAR 2.2 million in 2023. An analysis of other income is set out in note 26 to the consolidated financial statements.

Financial review (continued)

OPERATING EXPENSES

Total operating expenses at SAR 891 million were SAR 142 million higher than in 2022 due to increase in operations of the Bank.

Staff expenses at SAR 512 million, which accounted for 57 per cent of total operating expenses, were higher than the prior year and reflected the Bank's focused investment in strengthening its human capital. Depreciation and amortisation expenses increased by SAR 1 million to SAR 62 million during 2023.

Other operating expenses including rent and premises related expenses and general administrative expenses at SAR 317.3 million, were SAR 55 million higher than 2022, with increases relating to strategic investment initiatives.

PROVISIONS

The Group recorded a net provision charge of SAR 190.8 million compared with SAR 95.8 million in the prior year. A net loan provision charge for loans and advances of SAR 189 million, compared to SAR 96 million in 2022. The loan provision charge comprised a SAR 115 million specific (stage 3) provision charge, and a SAR 75 million non-specific (stages 1 and 2) provision charge. A SAR 1 million provision charge was booked for stage 1 investment securities.

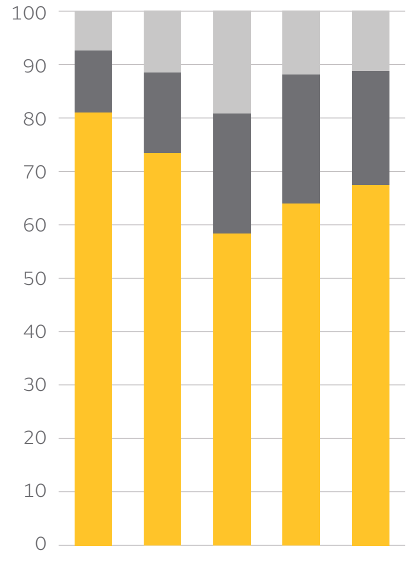
CAPITAL STRENGTH

Total equity amounted to SAR 7,499.8 million as at 31 December 2023, which was attributable to the shareholders of the Bank.

With a total regulatory capital base of SAR 9,205.3 million and total risk-weighted exposures of SAR 44,202.7 million, the risk asset ratio calculated in accordance with the Saudi Central Bank (SAMA) Basel 3 guidelines was 20.83 per cent, while the tier 1 ratio was 16.76 per cent, ratios that are high by international comparison and above the regulatory thresholds as set out by the Saudi Central Bank (SAMA). Tier 1 capital comprised 80 per cent of the total regulatory capital base.

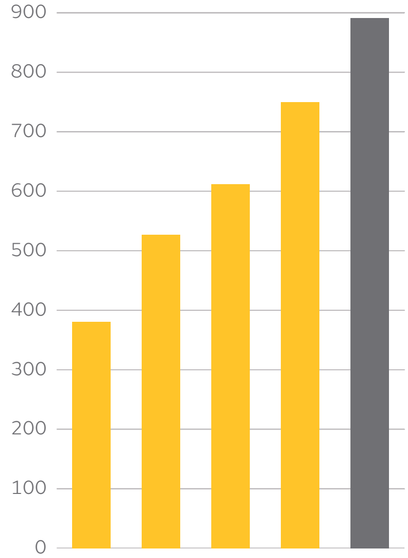
The Risk Management and Capital Adequacy report set out in a later section of the Annual Report provides further detail on capital adequacy and the Group's capital management framework. The Group's policies in relation to capital management are set out in note 37 and 39 to the consolidated financial statements. As described in more detail in the note, the Group's policy is to maintain a strong capital base so as to maintain investor, counterparty and market confidence and to sustain the future development of the Group's business.

Gross income composition
(%)



	2019	2020	2021	2022	**2023**
Net interest income	399.6	461.1	469.6	639.2	**910.3**
Fee & commission income	57.4	94.2	180.3	240.3	**287.5**
Foreign exchange, trading & other income	36.3	72.3	154.4	118.9	**151.7**
	493.3	627.6	804.2	998.4	**1,349.5**

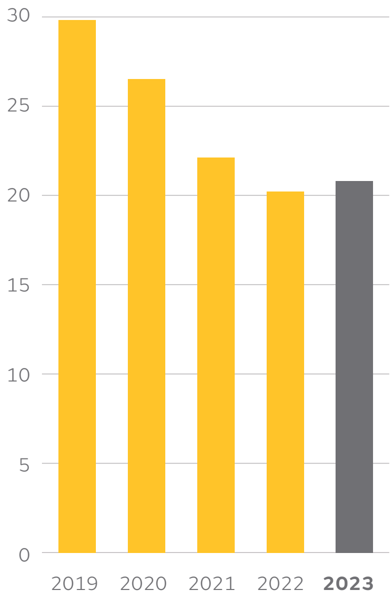
Expenses development
(SAR millions)



	2019	2020	2021	2022	**2023**
Operating expenses	380.6	527.3	612.2	749.5	**891.1**

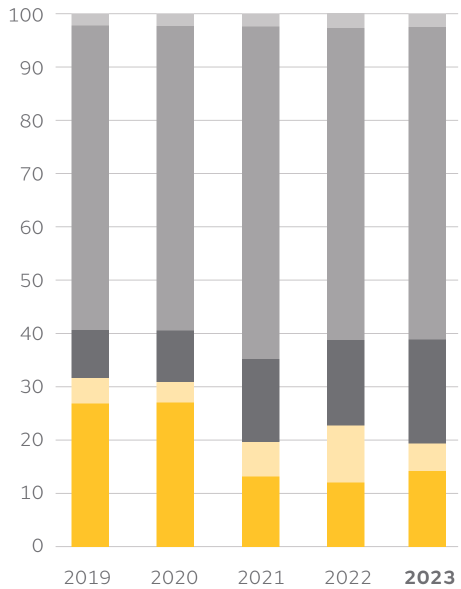
Financial review (continued)

Capital Adequacy ratio
(%)



	2019	2020	2021	2022	2023
Capital Adequacy ratio	29.8	26.5	22.1	20.2	**20.8**

Asset mix by category
(%)



	2019	2020	2021	2022	2023
Cash and balances with Saudi Central Bank (SAMA)	8,243.8	8,924.1	5,004.5	5,150.8	**6,667.5**
Due from banks and other financial institutions	1,448.1	1,267.3	2,440.9	4,534.0	**2,365.4**
Securities	2,773.7	3,161.1	5,866.5	6,792.4	**9,105.5**
Loans and advances	17,490.4	18,786.1	23,574.9	24,790.7	**27,300**
Other	670.7	768.2	902.8	1,159.2	**1,164.4**
	30,626.8	32,906.8	37,789.6	42,427.1	**46,602.8**

ASSET QUALITY

The geographical distribution of risk assets is set out in note 33 to the consolidated financial statements. The credit risk profile of financial assets, based on internal credit ratings, is set out in note 6 and 8.

Further assessment of asset quality is referenced in note 36 to the consolidated financial statements, on the fair value of financial instruments. Based on the valuation methodologies set out in that note, the net fair values of all on- and off-balance sheet financial instruments as at 31 December 2023 were not significantly different to their carrying amounts except disclosed.

At the end of 2023, cash and balances with Saudi Central Bank (SAMA) and due from banks and other financial institutions accounted for 19 per cent of total assets; investment securities accounted for a further 20 per cent, while loans and advances represented 59 per cent.

INVESTMENT SECURITIES

Investment securities totalled SAR 9,105.5 million as at 31 December 2023. The investment securities portfolio primarily represents the Group's liquidity reserve and accordingly, principally comprises investment-grade rated debt securities issued by major financial institutions and government-related entities.

Investment securities comprise two types of debt security portfolios, and a limited investment in equities and equity funds. The larger debt security portfolio comprises floating rate securities or fixed rate securities that have been swapped to yield and treasury bills.

Equity investments at the end of 2023 amounted to SAR 61.8 million. The equity investments largely comprised listed equities amounting to SAR 26.6 million.

An analysis of the investment securities portfolio by rating category is set out in note 6 to the consolidated financial statements. All debt securities at 2023 year end were investment grade rated securities.

There were no past due or impaired investment securities as at 31 December 2023. All debt securities were categorised as stage 1 for provisioning purposes.

LOANS AND ADVANCES

The Bank reported a significant increase in net loans and advances of SAR 27,300 million at the end of 2023, up from SAR 24,791 million at the end of the prior year. Gross loans and advances were SAR 2,542 million higher than at 2022-year end. The strength of the loan book, and the Bank's continued focus on being selective in the extension of new loans is reflected in the quality of the loan book with 94 per cent of net loans being stage 1.

Financial review (continued)

LOANS AND ADVANCES (continued)

As at 31 December 2023, the largest industry sectorial exposures were to the manufacturing, trading and services, energy, and construction and engineering, comprising 50 per cent of gross loans, compared to 48 per cent at the end of 2022. This was followed by the financial sector, comprising 13 per cent.

The credit risk profile of loans and advances, based on internal credit ratings, is set out in note 8 to the consolidated financial statements. SAR 20,505 million or 73 per cent of total loans were rated 4- or above, i.e. the equivalent of investment grade rated. Only SAR 1,020 million or 3.6 per cent of loans and advances, were classified as stage 2 exposures in accordance with IFRS 9, i.e. loan exposures that had experienced a significant increase in credit risk since inception. In addition, exposures classified as stage 3 in accordance with IFRS 9 were SAR 591.3 million, or only 2.1 per cent of loans and advances. Stage 3 exposures are those exposures which are specifically provisioned based on the present value of expected future cash flows.

Total loan loss provisions as at 31 December 2023 amounted to SAR 835.4 million. Counterparty specific provisions (stage 3) amounted to SAR 542 million while non-specific provisions (stages 1 and 2) were SAR 293.4 million. During 2023, SAR 136 million of 100 per cent provisioned loans were transferred to the memorandum records. This resulted in the utilisation of an equivalent amount of stage 3 provisions.

Specific provisions are determined based on the recoverable amount of the loan. The recoverable amount is measured as the present value of the expected future cash flows discounted based on the interest rate at the inception of the facility.

For the purpose of the calculation of the non-specific (stages 1 and 2) provisions, the Group only takes account of collateral held in the form of cash or exchange-traded equities. While collateral in the form of securities, unlisted equities and physical assets is used for risk mitigation and protection purposes, it is not taken into account in the calculation of the non-specific provisions.

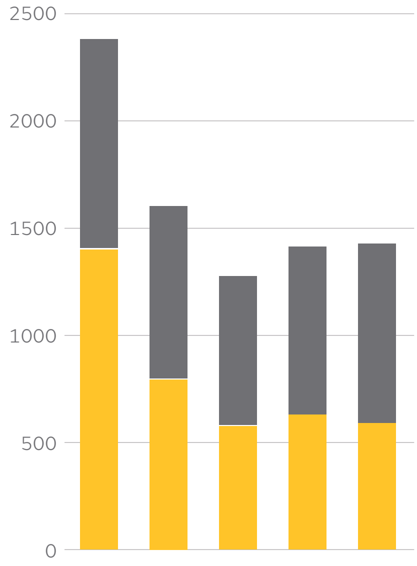
OTHER ASSET CATEGORIES

Cash and other liquid assets amounting to SAR 9,033 million at the end of 2023, are analysed in note 4 and 5 to the consolidated financial statements. This principally comprises cash and balances with central bank, and financial institutions in the key geographic locations in which the Group operates.

Placements totalled SAR 2,365 million at the end of 2023, and were well diversified by geography, as illustrated in note 33 to the consolidated financial statements. Placements were largely with Saudi Arabian, GCC, European and North American bank counterparties and represented 5 per cent of total assets at the end of 2023. These represented collateralised placements, thereby reducing the Group's risk exposure to the financial institution sector.

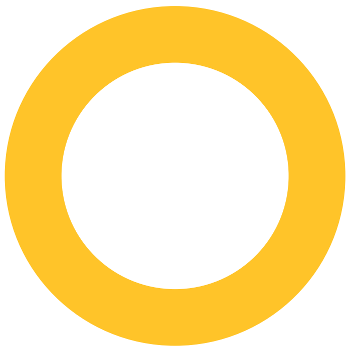
An analysis of trading securities is set out in note 6 to the consolidated financial statements. Trading securities at SAR 282.8 million as at 31 December 2023 largely comprised investments in funds managed by GIB's subsidiary.

PDO loan development
(SAR millions)



	2019	2020	2021	2022	**2023**
Gross PDO loans (SAR millions)	1401.2	793.6	578.1	631.5	**591.3**
Gross PDO loans as % of gross loans	7.7	4.1	2.4	2.5%	**2.1%**
Provisions	972.9	803.5	695.0	781.9	**835.4**

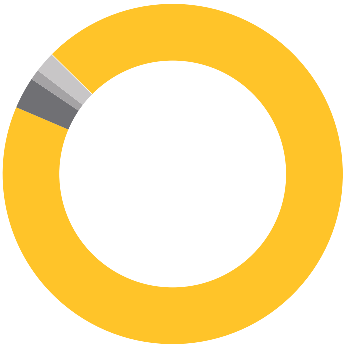
Investment debt securities rating profile



	SAR millions	%
Investment grade	8,788	100.0%
	8,788	**100.0%**

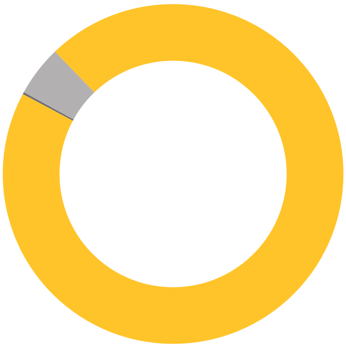
Financial review (continued)

Risk asset and commitment exposure



	SAR millions	%
Kingdom of Saudi Arabia	65,423	94%
GCC and Middle East	2,185	3%
Europe	795	1%
North America	1,402	2%
South East Asia	1	0%
	69,806	**100%**

Deposits - geographical profile



	SAR millions	%
Kingdom of Saudi Arabia	30,514	95
GCC	75	0.2
Other countries	1,517	4.8
	32,106	**100**

RISK ASSET AND COMMITMENT EXPOSURE

Risk asset and commitment exposure as at 31 December 2023 amounted to SAR 69,806 million. These comprise all assets included in the balance sheet and credit-related contingent items. As referred to earlier, an analysis of risk asset and commitment exposure by category and geography is contained in note 33.1 to the consolidated financial statements. SAR 65,423 million or 94 per cent of total risk assets and commitments represented exposure to counterparties and entities located in the Kingdom of Saudi Arabia. The remaining risk asset exposure largely represented short-term placements with major GCC, Middle Eastern and European banks, and investment securities issued by highly rated. An analysis of derivative and foreign exchange products is set out in note 7 to the consolidated financial statements.

FUNDING

Bank and customer deposits at 31 December 2023 totalled SAR 35,962 million. Customer deposits amounted to SAR 32,106 million, representing 89 per cent of total deposits; while bank deposits totalled SAR 3,856 million, accounting for 11 per cent.

Customer deposits are analysed by geography in note 33.1 to the consolidated financial statements. SAR 30,514 million or 95 per cent of total deposits were derived from counterparties in Kingdom of Saudi Arabia. Deposits derived from other countries amounted to SAR 1,593 million or 5 per cent of customer deposits.

Further commentary on liquidity and funding is provided in the Risk Management and Capital Adequacy report.

Board of Directors Report

1. Overview

Operating in Saudi Arabia since 2000 as a branch, Gulf International Bank - Saudi Arabia ("GIB KSA" or the "Bank") was incorporated in Saudi Arabia on April 2019 as a subsidiary of Gulf International Bank B.S.C. (headquartered in Bahrain) ("GIB") and is owned equally by the Public Investment Fund of Saudi Arabia (PIF) and GIB. GIB KSA is licensed by the Saudi Central Bank ("SAMA") and offers a full range of banking products through its branches in Riyadh, Jeddah and Khobar.

2. Shareholding Structure

	Holding %	Number of Shares	Value of Share
Gulf International Bank B.S.C.	50%	375,000,000	SAR 10
The Public Investment Fund	50%	375,000,000	SAR 10

3. Geographical Coverage

GIB is the first foreign domiciled bank to establish a local commercial bank in the Kingdom of Saudi Arabia. GIB KSA is headquartered in the Eastern Province and operates branches in Riyadh, Jeddah and Khobar. GIB KSA is a subsidiary of GIB B.S.C, which itself is headquartered in Bahrain with branch offices in the United Arab Emirates, the United Kingdom, and the United States of America. In addition, GIB Capital (a single shareholder company) is a CMA licensed entity fully owned by GIB KSA, which has been operating and providing various investment banking services in the Kingdom of Saudi Arabia since April 2008. GIB Capital previously was a subsidiary of GIB B.S.C., which was transferred in its entirety to GIB KSA as of 1 January 2021.

4. Subsidiaries and Group Companies

GIB KSA owns shares in the following companies:

i. **GIB Capital (a single shareholder company):** a closed joint-stock subsidiary fully owned by GIB KSA, established in the Kingdom of Saudi Arabia and headquartered in Riyadh. GIB Capital is regulated by the Capital Markets Authority with paid-up capital of SAR 200MM (references to "MM" herein shall mean Millions). GIB Capital provides corporate finance services in the Saudi capital market. GIB Capital offers a comprehensive range of investment banking products and services which are designed to provide innovative and customised financial and investment solutions for clients. GIB Capital provides a full spectrum of investment banking services to help corporates, family businesses, entrepreneurs, governments and quasi-government entities obtain financing through debt and equity offerings. The GIB Capital portfolio incorporates financial advisory services in connection with equity placements (initial public offerings and private placements), mergers, disposals and acquisitions, privatisations, debt capital market products and services, strategic debt advisory and asset management.

ii. **Dar Enjaz Gulf Real Estate Company:** a subsidiary fully owned by GIB KSA and is a limited liability company registered in the Kingdom of Saudi Arabia and regulated by the Ministry of Commerce. Dar Enjaz Gulf Real Estate Company is headquartered in Riyadh with a capital of SAR 50,000. The main activities of the company are dealing, managing and holding real estate on behalf of GIB KSA as security for the GIB KSA's financings and selling, purchasing and mortgaging such real estate as part of its objects.

iii. **Bayan Credit Bureau:** a closed joint stock company registered in the Kingdom of Saudi Arabia and regulated by SAMA and the Ministry of Commerce in which GIB KSA owns 15 per cent of its shareholding. Bayan Credit Bureau is headquartered in Riyadh with a capital of SAR 50MM. The company provides its clients credit information.

iv. **GIB KSA Markets Limited:** a special purpose vehicle fully owned by GIB KSA and is an exempted company with limited liability incorporated and headquartered in the Cayman Islands with an authorised share capital of USD $50,000. The main activities of the company are to enter into treasury transactions (including without limitation, derivative trades) on behalf of GIB KSA.

5. Strategy

GIB KSA's goal is to be a trusted partner and regional industry leader with global reach, recognised for its innovation, regional expertise and differentiated world-class products and services. Leveraging GIB's international network and offerings enables GIB KSA to capture trade and financial flows between the Gulf Cooperation Council ("GCC") countries and the rest of the world. The wider levels of collaboration in the region and wider MENA have presented a unique opportunity for the Bank's niche reach. The growth in the region and the active execution of Vision 2030 places GIB KSA, a relatively new entrant to

Board of Directors Report (continued)

5. Strategy (continued)

the market offering distinctive products and services with a strong value proposition in a unique position to capitalise on the unprecedented economic opportunities in its largest target market. This is supported by the Bank's strong core business activities including commercial banking, project and structured finance, investment banking, Shariah-compliant banking and asset management and digital global transaction banking and retail offerings. GIB KSA aims to leverage, among other banking activities, its digital expertise and to continue being a market leader in the sustainability space. GIB's sustainability framework takes into account international and regional standards and is structured around nine main topics including principles, products, services and capabilities, governance, culture, transparency, disclosures and implementation.

GIB KSA's strategic priorities across its business pillars aim to:

i. increase and diversify revenues through targeted cross-sell between business lines and entities;
ii. reduce reliance on net interest income from differentiated fee generative products and services;
iii. enhance client acquisition, experience and service;
iv. maintain an effective funding profile; and
v. optimise capital deployment and return on assets.

To achieve the strategic goals and priorities highlighted above, GIB KSA continues to focus on the following enablers:

i. talent acquisition and retention - focusing on merit, competence and development;
ii. effective governance - agile decision making with accountability under a robust risk management framework;
iii. digital focus - accelerating our digital transformation journey; and
iv. operational excellence - optimising the Group's infrastructure and streamlining its processes.

The 'client comes first' approach is embedded in GIB KSA's business and reflected in its product offerings, digital solutions and internal processes.

Its digital strategy cuts across the organisation and continues to progress through investment in digital solutions. The Bank's Technologies and Operations are integral to operational excellence and cost efficiencies and the Bank is undertaking several initiatives to ensure the robustness and efficiency of the Banks platforms.

The bank's sustainability strategy is embedded across GIB KSA, and the wider GIB Group and advanced through sustainability-linked transactions, numerous sustainability publications and a sustainability-linked asset management fund through it's subsidiary GIB Capital.

GIB KSA made material progress in meeting strategic ambitions across its businesses as reflected in the positive growth trajectory across key performance metrics. Through a focus on client requirements, targeted client acquisitions, a full suite of solutions offered to clients, collaborative cross selling, ESG expertise and prudent management of accounts, a growing customer base across business lines was matched by a range of revenue opportunities resulting in increased and more diversified income streams.

Importantly, the bank continuous to maintain a strong balance sheet and healthy liquidity levels whilst achieving client and product diversification. This was driven by progress in the digital GTB liability proposition and digital Retail proposition. These initiatives continue to drive down the cost of deposits whilst increasing fee-based income. The bank issued a SAR 1.5bn Tier 2 Sukuk issuance to cater to increasing demand demonstrating our ability to access a wide investor base and in providing robust advice to assist issuers in navigating challenging market conditions.

The strength of its balance sheet has enabled its current growth trajectory and puts it on sound financial footing for continued growth in both financial performance and shareholders returns.

6. Risk Management

GIB KSA has established a robust Risk Management Framework and governance structure to maintain a prudent and disciplined approach to risk taking by upholding a well thought out risk strategy, risk appetite and a comprehensive set of risk management policies and processes.

GIB KSA adopts a holistic view of risks by understanding risks on an enterprise-wide basis analysed through a top-down (risk aggregation) and a bottom-up (risk decomposition) approach. Risk aggregation takes a portfolio view of risks aggregated across GIB KSA's business units taking due consideration of the portfolio effects and correlation of risks prior to determination of the management approach to each single risk. This approach provides guidance to allow balancing risk and reward optimally. Risk decomposition ensures a comprehensive identification and prioritisation of all material risks and the definition and implementation of risk policies and processes that control daily decision making throughout GIB KSA. This approach enables employees to make the right risk-return trade-offs in day-to-day activities.

The Board delegates some of its supervisory responsibilities to the Board Risk Policy Committee (BRPC) which assists the Board in reviewing the risk profile of GIB KSA, establishing the Risk Management Framework and relevant controls, reviewing the risk appetite, policies, and overall limits and parameters within which GIB KSA conducts its business.

GIB KSA has established a dedicated Risk Management function involving personnel with adequate skills and experience. The Risk Management function is independent of business units and is headed by the Chief Risk Officer (CRO) with a direct reporting line to the Board Risk Policy Committee.

The key material risk types that GIB KSA is exposed to, given its current balance sheet, include Credit Risk, Market Risk, Operational Risk, Liquidity Risk and Information and Cyber Security Risk. The following provides an overview of each of these risk types in terms of GIB KSA's definition of the risk and the respective control framework.

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 GIB KSA to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by GIB KSA in its banking, investment and treasury activities, both on and off-balance sheet.

Board of Directors Report (continued)

6. Risk Management (continued)

Credit Risk (continued)

Credit risks could arise from a specific deterioration in the credit quality of certain borrowers, issuers and counterparties of GIB KSA, from a general deterioration in local or global economic conditions, decline in collaterals value, or from systemic risks within the financial system. This could affect the recoverability and value of GIB KSA's assets which may result in an increase in GIB KSA's provisions for the impairment of loans, securities and other credit exposures.

Credit risks of GIB KSA are actively managed and monitored in accordance with well-defined credit policies and procedures and comprehensive limit setting and approval authorisation requirements. GIB KSA seeks to minimise its credit exposure, to the extent possible, using a variety of risk management techniques such as obtaining collateral, seeking third party guarantees and netting through strategic arrangements.

Market Risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, equity prices and market conditions. The most significant market risks to which GIB KSA is exposed are interest rate, foreign exchange and equity price risks associated with its trading, investment and asset and liability management activities. Changes in interest rate levels and spreads may affect the interest rate margin realised between GIB KSA's lending and investment activities and its borrowing costs, and the value of assets that are sensitive to interest rate and spread changes. Changes in foreign exchange (FX) rates may affect the value of assets and liabilities denominated in foreign currencies and the income from foreign exchange dealing.

GIB KSA actively manages its market risk through planning and assessment to determine the nature and level of market risk exposure that GIB KSA is permitted to undertake, a rigorous process of security selection and approval, Value-at-Risk analysis and Expected Shortfall and stress shocks based on scenarios and historical events to provide a comprehensive and consistent measure of GIB KSA's market risk exposure to adverse market movements, limit management to monitor portfolio concentrations such as IRRBB limits based on EVE, stress testing to assess and manage the risks associated with extreme market movements on the market values of the portfolios and a prudent valuation process to determine the mark-to-market or fair values of market risk related financial instruments. GIB KSA also ensures that policies and governance are set for market risk adherence. For the regulatory market risk capital requirement, the Bank applies the standardised approach as prescribed by SAMA.

Operational Risk

Operational risk is the risk of losses resulting from inadequate or failed internal controls or procedures, systems failures, internal/external frauds, business interruption, compliance and regulatory breaches, human error, management failure or inadequate staffing. While operational risk cannot be entirely eliminated, it is managed and mitigated by ensuring that the appropriate infrastructure, controls, systems, procedures, and trained and competent people are in place throughout GIB KSA. The Operational Risk Management (ORM) framework is based on the guidelines provided by the Basel Committee on Banking Supervision (BCBS) and SAMA and encompasses the management and oversight of operational risk activities across the Bank. The ORM Framework focuses on the periodic trainings of the management and staff to enable them to effectively manage operational risk across the entity. The ORM framework facilitates the management of operational risk across the three lines of defence and serves to promote a culture of collaboration, integrity, agility, and perceptiveness, which has been strengthened by the implementation of an ORM system. In addition, the ORM Framework has been enhanced to include self-assessment and independent testing and validation of controls for further improvement of the control environment within the Bank.

Liquidity Risk

Liquidity risk is the risk that GIB KSA will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

GIB KSA's liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of GIB KSA, 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 security of access to funds without undue exposure to increased costs from the liquidation of assets or the aggressive bidding for deposits, by supplying adequate reserves that meet liquidity requirements under stressed conditions.

GIB KSA's liquidity controls ensure that limits are in place over the medium-term horizon through currency wise gap limits, diversified funding sources and adequate liquidity buffers. Additionally, GIB KSA conducts frequent stress testing of its resilience to potential stress events on cashflows and other key ratios. GIB KSA ensures that the right parameters and reporting are in place for monitoring liquidity and funding risks which are fully integrated with Early Warning Indicators, Risk Appetite limits and the Contingency Funding Plan (CFP) which includes market-based liquidity tests.

Information and Cyber Security Risk

Information and Cyber Security risks can be commonly defined as an exposure to harm or loss resulting from breaches or attacks on information systems. This relates to the loss of confidentiality, integrity, or availability of information and reflect the potential adverse impacts to organisational operations, including its mission, functions, reputation and assets. Cyber security is the practice of protecting organisation's information assets and customer data from any intrusions or digital attacks by using a combination of people, processes and technology.

Board of Directors Report (continued)

6. Risk Management (continued)

Information and Cyber Security Risk (continued)

GIB's cyber security is managed by a dedicated Information Security department and is governed by a robust cyber security framework consisting of cyber security strategy, aligned with the Bank's business strategy, and a policy framework, aligned with regulatory frameworks, industry standards and best practices under the supervision of Board delegated "Information Security Management Committee" with key business stakeholders.

Cyber Security risk is mitigated and optimised greatly by the implementation of layered security controls such as perimeter security solutions, application and infrastructure controls, end user protection controls, 24/7 security monitoring, independent security assessments, third-party maturity and benchmarking exercises, brand monitoring and threat intelligence services, cyber security risk assessments etc.

The Information Security Department consists of; the Governance, Risk and Compliance (GRC) function to ensure alignment with governance, risk and regulatory frameworks; Security Operations Centre (SOC) which focuses on 24/7 security monitoring and incident management; Application Security that manages security of the business applications; Infrastructure Security team which manages the infrastructure and network security; Cyber Security Architect to ensure information security controls are embedded into all solutions; Cyber Fraud function to align and facilitate counter fraud programs associated with digital technologies; Security Services Group for centralised user access management, Program Management Team that supports implementation of security solutions and ensures participation of Information Security in all business initiatives and projects and Cyber Threat Intelligence (CTI) function to ensure proactive threat detection and mitigation.

Fraud Risk

GIB KSA is committed to proactively prevent, detect and respond to frauds. Furthermore, the Bank recognises that in addition to financial losses, an incident of fraud may also negatively impact bank's image and reputation. Therefore, to combat fraud GIB KSA has implemented control requirements of "Counter-Fraud Framework (CFF)".

Counter-Fraud Unit, is an independent Unit under the Compliance Division and is responsible for the following:

Monitoring and overseeing compliance with Counter-Fraud policies, standards, and procedures. Designing and implementing organisation wide required counter-fraud controls covering people, process, and technology dimensions. Performing an in-depth organisation wide Fraud Risk Assessment. Analysis of Counter-Fraud data and intelligence to proactively identify fraud trends. Sharing Counter-Fraud Intelligence with SAMA, police and other relevant regulators and law enforcement authorities.

Proactively and reactively tuning Counter-Fraud systems. Monitoring of Counter-Fraud Operations.

Performing comprehensive fraud investigations, identifying root causes of fraud incidents, and documenting corrective actions. Monitoring Fraud Risk Appetite measures and actively engaging a crisis management task force if the defined limit is breached with an impact on customers. Ensuring alignment of Counter-Fraud capabilities with Cyber Security and Financial Crime. Periodic reporting to senior management covering at minimum - Fraud Risk Assessment results, Fraud typologies identified, Fraud Risk Appetite measures and performance against thresholds and limits and operational and customer fraud losses.

Evaluating the staffing requirements of the Counter-Fraud Department on a periodic basis considering both the capacity and capability and in response to material changes to the business, operational and fraud landscape or Fraud Risk Assessment. Promoting fraud awareness amongst employees, customers and third parties to report actual and suspected frauds upon discovery. Train employees to prevent and detect frauds in workplace and potential frauds from external sources.

Function independently under the oversight and guidance of Chief Compliance Officer (CCO) and ultimately reporting to the Board Audit Committee. Submit and obtain approvals/ endorsements from Board Audit Committee and / or Counter-Fraud Governance Committee as applicable on matters that requires respective stakeholders' intervention and support.

Periodically report fraud related matters to Board Audit Committee and / or Counter-Fraud Governance Committee as applicable and provide quarterly updates and notification to BRPC (if required/requested).

Real Estate Finance Risk

The Bank's total outstanding residential real estate finance portfolio as of 31 December 2023 was SAR 260.05 million. The Bank has developed adequate policies and procedures to ensure that the appropriate insurance coverage is in place to hedge against potential financial losses associated with residential real estate portfolio. However, risk elements which are not part of the insurance coverage are dealt with according to the Bank's internal risk management framework.

Following are the different types of insurance covers that the Bank has utilised to hedge various risks associated with its residential real estate finance portfolio.

(i) Life Insurance: The life insurance provides financial protection in the event of death resulting from natural or accidental events or specified cause as per the insurance policy in order to recover the outstanding finance amount from insurance company.

(ii) Disability Insurance: The disability insurance provides financial protection to recover the outstanding financing amount in the event that the policyholder becomes fully and permanently disabled and is unable to work or engage in an income earning activity.

(iii) Property Insurance: Property insurance provides coverage for physical damage or loss to the property caused by events such as fire, flood, or natural disasters etc. This is aimed to mitigate the financial impact of property damage, allowing the Bank to recover the costs due to unexpected / unforeseen events.

Board of Directors Report (continued)

7. Financial Highlights

	2023 (SAR '000)
Total Operating Income	1,349,489
Total Operating Expenses Before Expected Credit Losses	891,099
Total Operating Expenses After Expected Credit Losses	1,081,877
Net Income After Zakat	220,476
Capital Adequacy: Tier 1 Ratio	16.76%
Capital Adequacy: Total Ratio	20.83%

International rating agencies have endorsed their confidence in GIB KSA's financial strength. Fitch Ratings affirmed GIB KSA's long term issuer default ratings (IDR) at A- with a Stable outlook and highlighted GIB KSA's sound management strategy, strong capitalisation and niche wholesale franchise among the key rating drivers. Moody's Investor Service also affirmed GIB KSA's long term deposit rating at A3 with a Positive outlook. Moody's have cited GIB KSA's strong loss absorption capacity resulting from its strong capital adequacy ratios as its key strength.

8. Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in compliance with the International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Law for Companies in the Kingdom of Saudi Arabia.

9. Loans and Advances

	31 December 2023 (SAR '000)
Gross loans and advances	27,973,200
Allowance for Expected Credit Losses	(673,239)
Loans and advances, net	27,299,961

10. Internal Audit Function

The Internal Audit reports functionally to the Audit Committee and administratively to the Group Chief Executive Officer, making it independent of management, with the ability to make objective judgements, and having the authority to conduct its work across the whole organisation without constraint. The Internal Audit review of GIB KSA's corporate governance framework is conducted based on the risk assessment of the audit entity. The latest report was issued in October 2022. The purpose of the audit was to provide a reasonable assurance on the corporate governance framework of GIB KSA in light of the SAMA rules and guidance prescribed in "Principles of Corporate Governance for Banks Operating in Saudi Arabia".

The overall conclusion of the audit was that the corporate governance framework of GIB KSA is considered adequate and effective in providing a sound framework to control the risks inherent in GIB KSA's current business activities.

11. External Auditors

At the Annual Shareholders General Assembly, held on 17 April 2023, EY and KPMG were appointed as external auditors for the year ending 31 December 2023.

12. Zakat

The Bank has filed its zakat declaration with the Zakat, Tax and Customs Authority ("ZATCA") for the period from 3rd April 2019 to 31 December 2019 and for the years ended 31 December 2020 to 2022. The assessments have been finalised by ZATCA for the period / year 2019 and 2020, without any additional liability, however, no assessment has been raised by the ZATCA for the year 31 December 2021 and 2022.

13. Financial Compensation and Remuneration

GIB KSA engaged external consultant(s) to undertake annual Market Total Compensation Positioning Review. The objective of the exercise is to assess competitive pay levels and to enable pay for performance approach driven through the bespoke Variable Remuneration Model, which was approved by the Governance Nomination and Remuneration Committee (GNRC) and by GIB KSA's Board of Directors.

An annual review of GIB KSA's compensation practices and structure is conducted by the auditors and submitted to the Saudi Central Bank along with management reports. This is in line with the guidance issued by the Saudi Central Bank and the Financial Stability Board principles and standards as well as in line with market practice. GIB KSA is compliant with the Compensation Practices and Policies as prescribed by the Saudi Central Bank.

According to the Labour Law of Saudi Arabia and GIB KSA's internal policies, employee end of service benefits becomes due for payment at the end of an employee's period of service. End-of-service benefits have been provided based on the employees' length of service. As of 31 December 2023, the total end-of-service provision is SAR 77.39 MM.

14. Micro, Small and Medium Enterprises (MSMEs)

The MSME department was established in 2020 as part of the Wholesale Banking Group in GIB KSA. The objective was to create a dedicated team that serves MSMEs through providing a differentiated proposition and services. That will support achieving the Kingdom's Vision 2030 for increasing the GDP contribution of MSMEs.

Being part of the Wholesale Banking Group will enable the MSME team to garner opportunities and create synergies, while utilising the baseline of products and services currently being offered.

GIB KSA will provide products and services appropriate with each customer segment across MSME and across a variety of sectors and locations, leveraging on GIB KSA's strong digital proposition and platforms.

A primary product in the proposition is the Digital Lending Programme, which aims to address the core pain points for MSMEs through providing fast financing through a simple and digital process. The Programme will enable GIB KSA to reach a wider spectrum of customers that could not be served through regular customer propositions.

The MSME department has 1027 clients as borrowing and non-borrowing.

Board of Directors Report (continued)

14. Micro, Small and Medium Enterprises (MSMEs) (continued)

Out of 1027 clients, 797 clients are related Umrah operators (borrowing and non-borrowing clients) additional to 8,910 external agents.

The MSME portfolio funded size at end of December 2023 is SAR 128MM (from Kafalah, Beehive program 2 and the remaining from Beehive program1), SR82MM is from Beehive program 2.

The MSMEs deposits are SAR 232MM at the end of December 2023.

The MSME total gross income is SR24.2MM at the end of December 2023.

The MSME total net income after the expenses and provision is SAR 15.3MM at the end of December 2023.

15. Compliance and Financial Crime Compliance

Compliance

The Compliance framework adopted by the Board reflects the principles for promoting sound compliance practices at GIB KSA. It also demonstrates the Bank's commitment to the adherence with applicable legal and regulatory requirements, and to high professional standards. The role of the Compliance function is to assist senior management in ensuring that the activities of GIB KSA and its employees are conducted in conformity with all applicable laws and regulations, and generally with sound practices pertinent to those activities. The Chief Compliance Officer reports directly to the Board through the Audit Committee in accordance with SAMA Compliance principles.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the Bank's reputation arising from failure to comply with the requirements of applicable laws, rules, regulations and related self-regulatory internal standards and codes of conduct (collectively, applicable laws, rules and regulations). Compliance independently assesses compliance risk and evaluates the business and control units for adherence to applicable laws, rules and regulations, including identifying compliance issues and risks, performing independent spot checks, and reporting on the state of compliance activities in GIB to the top management.

Also, the bank submits a Compliance Annual Report to SAMA advising the state of compliance of the bank every year, with detailed explanations of all identified breaches and the remedial measures taken by the bank to rectify it.

The Bank's approach to the management of compliance risk is described in the Compliance Policy, which outlines the requirements of the Bank's compliance program, and defines roles and responsibilities of Board, senior management, business and control units, Internal Audit and all Bank employees in managing compliance risk. The requirements work together to drive a comprehensive risk-based approach for the proactive identification, management, and escalation of compliance risks within GIB KSA. Hence, the policy echoes the Bank's control pronouncing 'Zero Tolerance for Non-compliance'. This is further ensured by periodical testing and monitoring by a dedicated Compliance team. Issues identified are discussed at the quarterly Compliance Committee membered by key stakeholders in risk management and operations and escalated to the Audit Committee as appropriate.

The Compliance Policy and the Program also sets the requirements for reporting compliance risk information to senior management as well as the Board or appropriate Board level committees in support of Compliance's responsibility for conducting independent oversight of the Bank's compliance risk management activities. The Board provides oversight of compliance risk mainly through its Audit Committee.

In ensuring that the tone emanates from the top, the CEO issues a yearly message to all GIB KSA employees reminding everyone of the importance of complying with all laws and regulations issued by the regulators. This is supplemented by multiple awareness messages issued by the Chief Compliance Officer to all employees throughout the year using various mediums of communication. Good compliance behaviour is also rewarded by making it a mandatory measurement criterion in employee evaluations.

The Bank by virtue of expanding its business operations across the Kingdom as a full-fledged banking license, continues to invest heavily in the Compliance Framework. The Compliance Function has been revamped through the appointment of a more senior Compliance Officers as well as AML teams and have introduced a more focused Compliance Advisory Team to support the Bank's businesses, and more importantly a broader Financial Crime Compliance (FCC) environment to manage the emerging threat of financial crime. As part of the 2023 Compliance Program, the Bank has introduced Counter-Fraud Management System embedding a number of scenarios, that has helped reduce the fraud attempts by the perpetrators. The bank has also implemented GRC system to help manage the compliance activities and form an inventory of all regulations. The bank will continue to invest to enhance its customer transactions monitoring tools in the arena of Financial Crime more specifically Anti-Money Laundering and Sanctions. Every effort will be made to ensure that the Bank maintains its high reputation to abide by the rules and regulation and prevent the use of its channels for illicit activities.

Financial Crime Compliance

The Bank's Financial Crime Compliance comprises of Money Laundering & Counter Terrorism Financing (AML/CTF), Anti-Commercial Concealment, Anti-Fraud, Anti-Bribery & Corruption and Sanctions Unit. All GIB Compliance policies and procedures/guidelines conform to the legal and regulatory requirements of the Kingdom of Saudi Arabia. These legal and regulatory requirements largely reflect local and international best practices in the field of combating Financial Crime.

The operations of FCC have been automated in coherence with the Banks strategy, systems are in place to ensure that business relationships are commenced with clients whose identity and activities can reasonably be established to be legitimate; to collect and record all relevant client information; to monitor and report suspicious transactions; to provide periodic training to employees; and to review with internal and external auditors the effectiveness of the procedures and controls. The Financial Crime Units' procedures prohibit dealing with shell companies/ banks located in sanctioned countries, Specially Designated Nationals and Blocked Persons (SDN)s and any sanctioned entity. A proactive structure of officers is in place to ensure compliance with procedures based on regulatory bodies, and the timely update of the same to reflect the changes in regulatory requirements.

Board of Directors Report (continued)

16. Fines and Penalties

The below table shows the financial fines by SAMA for the 2023 fiscal year:

Violation Subject	Number of Penalties	Amount (SAR)	Quarter
Breach of DBR calculation	1	50,000	Q1
An unplanned outage of services	1	415,000	Q1
Forged SAR10 note in our deposit with SAMA	1	5,000	Q1
Violation of SAMA's "Anti-Fraud Measures"	1	2,049,000	Q1
AML regulation violation	1	Warning	Q3
Violation of Shariah Principles	1	Warning	Q3
Total		**2,519,000**	

17. Effectiveness of Internal Control Environment

Senior management is responsible for establishing, maintaining and monitoring GIB KSA's internal control systems to ensure the effective functioning of GIB KSA. The internal control systems comprise the establishment and implementation of policies, procedures, processes, systems and a risk framework across all functions of GIB KSA, which are approved by the Board of Directors.

The ***Board of Directors***, supported by the ***Board Risk Policy Committee*** and ***the Audit Committee***, is responsible for ensuring that the internal systems and controls framework are effective for GIB KSA's business and associated risks.

The ***Board Risk Policy Committee*** sets and endorses the organisation's risk appetite (which is approved by the Board of Directors) and also seeks to identify the principal risks facing the organisation, together with the management. It has oversight in respect of GIB KSA's overall risk appetite, parameters and limits within which GIB KSA conducts its activities to seek assurance on an ongoing basis that the management is responding appropriately to such risks in a timely manner.

The ***Audit Committee*** oversees the effectiveness of GIB KSA's internal controls systems by reviewing and evaluating the systems of internal controls and meets with Internal Audit, External Audit and management to assess the adequacy and effectiveness of the systems of internal controls and obtaining reasonable assurances from them on a periodic basis. The Audit Committee periodically receives reports as to the existence of any significant deficiency or material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect GIB KSA's ability to record, process, summarise and report financial information and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in GIB KSA's internal control over financial reporting. Further, the Audit Committee Chairman provides updates to the Board on the key discussions and decisions considered by the Audit Committee.

For the period ended 31 December 2023, and pursuant to the Audit Committee Mandate, which requires the Audit Committee to report its opinion on adequacy of the internal controls framework in GIB KSA, the Audit Committee was made aware of the opportunities for enhancement in the internal controls of GIB KSA. These recommendations were addressed, or are in the process of being addressed, by management. Furthermore, these recommendations are tracked and validated independently by Internal Audit and an update on the implementation is provided to the Audit Committee on periodic basis.

Pursuant to the above review, the Board has endorsed management's assessment of GIB KSA's internal control systems.

18. Ethical Standards and Code of Conduct

GIB KSA has a Board-approved Code of Conduct that contains rules on conduct, ethics and on avoiding conflicts of interest, applicable to all the employees and Directors of GIB KSA. The Code of Conduct is designed to guide all employees and directors through best practices to fulfil their responsibilities and obligations towards GIB KSA's stakeholders (shareholders, clients, employees, regulators, suppliers, the public, and the host countries in which GIB KSA conducts business, etc.), in compliance with all applicable laws and regulations and is in line with the Code of Conduct issued by the SAMA for all financial services.

The Code addresses such issues as upholding the law and following best practices; acting responsibly, honestly, fairly and ethically; avoiding conflicts of interest; protecting GIB KSA property and data; protecting client-confidential information and safeguarding the information of others; complying with inside information rules and with the prohibition on insider trading; preventing money laundering and terrorism financing; rejecting bribery and corruption; avoiding compromising gifts; as well as speaking up and 'whistleblowing'.

All employees and directors of GIB KSA are reminded every year of their obligations under the Code of Conduct by means of an email from GIB KSA that includes a copy of the Code of Conduct (in English and Arabic), and everyone is required to sign an Acknowledgment and Declaration confirming that they have received and read the Code of Conduct and understand its requirements; have followed and will continue to follow these requirements; and agree that if they have any concern about any possible misconduct or breach of the Code of Conduct, they will raise the concern with the appropriate persons within GIB KSA as per the Code.

In addition, all employees of GIB KSA must sign an annual Declaration on outside employment and other activities, to ensure that no conflicts of interest exist. These Declarations have been moved from GIB KSA's Human Resources Department Code of Conduct to the Corporate Governance Policy. Similarly, all Directors and members of the Management Committee must complete and sign a similar annual Declaration, which is in turn presented to the Governance, Nomination & Remuneration Committee of the Board.

19. Corporate Social Responsibility (CSR), Sustainability Initiatives, and Learning and Talent Management

Since 1975, GIB has developed a proud tradition and legacy of actively participating, donating and collaborating with the communities in which it operates. The Bank's approach to Corporate Social Responsibility is to identify and partner with

Board of Directors Report (continued)

19. Corporate Social Responsibility (CSR), Sustainability Initiatives, and Learning and Talent Management (continued)

groups, causes, communities, stakeholders and themes where it can ensure long-term positive results from its philanthropic and voluntary involvement.

CSR activity also provides a valuable opportunity for our people to volunteer their time in support of others, and the bank proactively encourages and assists them to do so.

Key examples of such Corporate Social Reasonability initiatives are the following:

i. GIB KSA provided support to Aknan housing charity, which assists families in improving the quality of their housing.
ii. GIB donated SAR 200,000 to Tarahum to continue our support for the Eastern Province community.
iii. GIB volunteers prepared 250 food baskets as part of our Ramadan baskets initiative in cooperation with the Saudi Food Bank Charity in Dammam.
iv. GIB supported the Saudi Children with Disabilities Association's "Mubadaraty" programme. This included funding for 700 educational sessions where children with disabilities receive an educational programme according to their age and abilities. The rehabilitation sessions motivate the child's linguistic, cognitive, social, and motor skills using a range of tools to match the student's abilities.
v. Our collaboration with Ithra is part of our main strategy to further deepen our involvement and community presence in Saudi's Eastern Province. In 2023 we partnered with Ithra by sponsoring one of its largest programmes "Tanween Ithra's Creativity Season", a range of activities to promote Saudi youth development, through supporting creative and sustainable programmes and initiatives related to talent development and cross-cultural experiences.
vi. As part of the sustainability agenda, GIB KSA engaged with the Environmental Friends Society in the Eastern Province and the Green Horizons Environmental Association in Riyadh, supporting their tree planting initiatives in Al Khobar and Riyadh in areas in need of reforestation.

Sustainability

GIB KSA is committed to sustainability, both in terms of its business offerings and the way it conducts its business.

Sustainability, which encompasses Environmental, Social and Governance (ESG) factors, is relevant for nearly all aspects of GIB KSA. Within that, the following areas were priorities in 2023:

i. Expanding its sustainable finance activities and supporting clients on sustainability-related matters;
ii. Embedding sustainability in how it operates, particularly with respect to meeting environmental and gender representation targets;
iii. Reporting transparently on its sustainability-related activities and impacts; and
iv. Engaging with policy-makers on relevant sustainability-matters, particularly the Saudi Central Bank.

For further information, please see the Sustainability Report.

Learning and Talent Management

In addition, key learning and talent management initiatives undertaken in 2023 included:

i. Some of the major In-House Face to Face programs: Women's Leadership Strategy 2023, Kunooz Programme 2.0, Project Management Professional PMP, Certified Associate Project Management CAPM, Lean Six Sigma Green Belt, Lean Six Sigma Yellow Belt, Al Yammamh University Soft Skill Campaign, Certified Compliance Officer.
ii. Talent Development Programmes conducted through Global Partners like, Colombia Business School, MIT, National University of Singapore (NUS) etc: Managerial Discovery Programme, Management Development Programme, Senior Leaders Programme
iii. Jammaz Al Suhaimi Programme: Future Executive Graduates and Scholarship Programme
iv. ITQAN Program: A special programme designed for Junior to Mid-Level Staff
v. Executive Insights webinar sessions targeting executives of the Bank covering topics like, Asset Management, Business Valuation, Cyber Security, Effective Strategy etc.
vi. Leadership Development: partnered up with few prestigious business schools like INSEAD, London Business School, Harvard Business School, University of Oxford, EURO Money etc. to deliver: Ro'ya Program: targeted to Senior Executives covering Global Leadership Trends & Future Leaders Programme
vii. Health and Wellness, a few webinars were also conducted through Healthcare Partners like, Plumm, Dr Sulaiman Al Habib Hospital, Bahrain Specialist Hospital covering Anxiety & Confidence, Financial Wellbeing, Cultural Diversity Work, & Unpacking Depression, Quit Smoking, Diabetes Awareness

20. Related Party Transactions

GIB KSA has a Board-approved Conflict of Interest and Related Party Transaction policy which governs the conflict of interests and related party transactions relating to both the Board and senior management. GIB KSA's dealings with its related parties are conducted on an arms-length basis in respect of its exposure to and deposits received from them. If loans are extended to related parties, these are approved on the basis of authorities delegated by the Board to the CEO. If the loans exceed these authorities, then further approval from the Executive Committee or the Board is requested. GIB KSA will not deal with any of its directors or senior management in a lending capacity unless permitted by Saudi Arabian law or regulation.

In the event of proposed dealings with companies associated with a GIB KSA Director or senior management, the proposals are (i) referred to the Board for approval with the abstention of the Director involved from voting or (ii) raised to the attention of the Board Risk Policy Committee and Board / Executive Committee if such approvals are within the credit limits of the CEO or (iii) raised in a report to the Governance, Nomination and Remuneration Committee and the Audit Committee for any related party transactions relating to senior management which are in turn raised for Board/Shareholder approval.

In the ordinary course of its activities, GIB KSA transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA. GIB KSA also adheres with the required process (including by way of authorisation from the ordinary general assembly) for related party transactions as per Articles 27 and 71 of the Saudi Companies Law to seek shareholder authorisation for such transaction.

Board of Directors Report (continued)

20. Related Party Transactions (continued)

Details of the Related Party Transactions in 2023 are set out in the below table:

Name of Director	Entity Name	Nature of Contract and Relationship	Term	Amount
Mr. Abdulaziz bin Abdulrahman Al-Helaissi Engr. Muhannad Al Azzawi	Saudi Golf	Indirect interest - the company organised events for the Bank.	2023	SAR 1,078,125
Mr. Abdulaziz bin Abdulrahman Al-Helaissi	Bahrain Institute for Banking and Finance (BIBF)	Indirect interest - member of the Board of Directors – the company provided the trainings	2023	SAR 730,051
Mr. Sultan Bin Abdul Malek Al Sheikh	Regional Voluntary Carbon Market Company	Indirect interest - member of the executive committee – the company provided service related to retirement of carbon credit	2023	SAR 253,897
Mr. Abdulaziz bin Abdulrahman Al-Helaissi Mr. Hassan Al Mulla	King Fahad Causeway Authority	Indirect interest - member of the Board of Directors / committee	2023	SAR 25,000
Mr. Abdulla bin Mohammed Al Zamil	Saudi Global Ports Company	Indirect interest - Chairman of the Board of Directors and the relationship is represented by the provision of facilities.	2023	Facilities totalling SAR 1,263,495,134 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 222,475,549.
Mr. Bander bin Abdulrahman bin Mogren	Sanabil Investments Company	Indirect interest - member of the Board of Directors and the relationship is represented by the provision of facilities.	2023	Facilities totalling SAR 1,706,250,000 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 1,483,292,830.
Mr. Abdulla bin Mohammed Al Zamil	-	Represented by a personal loan without preferential terms.	2023	Total amount SAR 27,000,000 with the outstanding amount SAR 27,000,000.
Engr. Muhannad Al Azzawi	Savola Group	Indirect interest as his brother Mo'taz Al Azzawi is a member of the Board of Directors of the Savola Group which is represented in the provision of facilities without preferential terms.	2023	Facilities totalling SAR 687,500,000 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was Nil.
Engr. Muhannad Al Azzawi	Binladen Group Holding Company that owns Saudi Bin Laden Group	Indirect interest - Chairman of the Board of Directors - represented by the provision of facilities.	2023	Facilities totalling SAR 519,777,329 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 519,777,329.

Board of Directors Report (continued)

20. Related Party Transactions (continued)

Name of Director	Entity Name	Nature of Contract and Relationship	Term	Amount
Mr. Sultan bin Abdul Malek Al Sheikh	Saudi Real Estate Refinance Company	Indirect interest - member of the Board of Directors - represented by the provision of facilities.	2023	Facilities totalling SAR 420,000,000 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 158,893,002.
Mr. Bander bin Abdulrahman bin Mogren	Saudi Military Industries Company	Indirect interest - member of Nomination & Remuneration - represented by the provision of facilities.	2023	Facilities totalling SAR 985,255,381 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was Nil.
Engr. Muhannad Al Azzawi	Riyad Bank	Indirect interest, as his brother Mo'taz Al Azzawi is a Vice Chairman of the Board of Directors at Riyad Bank, which is represented in providing facilities without preferential conditions.	2023	Facilities totalling SAR 1,087,527,188 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 995,976.
Mr. Yousef Al-Harjan	Ministry of Finance	Indirect interest -member of the Steering Committee Department in the Ministry of Finance - represented by the provision of facilities.	2023	Facilities totalling SAR 4,612,615,315 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 4,079,348,860.
Engr. Muhannad Al Azzawi	General Authority of Civil Aviation GACA	Indirect interest - member of the Board of Directors - represented by the provision of facilities.	2023	Facilities totalling SAR 18,750,469 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was Nil.
Mr. Rajeev Kakar	Commercial International Bank (CIB), Egypt	Indirect interest – Independent Non-Executive Director – represented by the provision of the facilities	2023	Facilities totalling SAR 93,750,000 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was Nil.
Mr. Selman Al Fares	National Medical Care Company (CARE)	Indirect interest – member of the Board of Directors of Hassana which manages portfolio of GOSI directly or indirectly through CARE.	2023	Facilities totalling SAR 350,000,000 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was Nil.
Dr. Najem Zaid	Sharpoorji Pallonji Mideast LLC	Indirect interest – GIB KSA is a member of the Board of Directors of Saudi Electric Company. Shapoorji obtained finance from the Bank for a SEC project.	2023	Facilities totalling SAR 951,372,936 were provided, without preferential terms. As of 31 December 2023, the outstanding balance was SAR 724,929,254.

Board of Directors Report (continued)

21. Board of Directors and Executive Management

Composition of the Board of Directors and Attendance at Board Meetings

There were seven board meetings held in 2023.

Name	Function	Membership Type	16 February 2023	30 March 2023	04 May 2023	27 July 2023	25 October 2023	06 December 2023	12 December 2023
Mr. Abdulla bin Mohammed Al Zamil	Chairman	Non-Executive	√	√	√	√	√	√	√
Mr. Selman Al Fares	Vice Chairman	Independent	√	√	√	√	√	√	√
Mr. Abdulaziz bin Abdulrahman Al-Helaissi	Member	Executive	√	√	√	√	√	√	√
Dr. Najem bin Abdulla Al Zaid	Member	Non-Executive	√	√	√	√	√	√	√
Mr. Sultan bin Abdul Malek Al Sheikh	Member	Non-Executive	√	√	√	√	√	x (Did not attend)	x (Did not attend)
Mr. Bander bin Abdulrahman bin Mogren	Member	Non-Executive	x (Did not attend)	x (Did not attend)	√	√	√	√	√
Mr. Rajeev Kakar	Member	Non-Executive	√	√	√	√	√	√	√
Mrs. Anju Patwardhan	Member	Non-Executive	√	√	√	√	√	√	√
Engr. Muhannad Al Azzawi	Member	Independent	√	√	√	√	√	√	√
Mr. Yousef Al-Harjan	Member	Independent	√	x (Did not attend)	√	√	√	√	√

Board Committee Attendance January - December 2023 Meetings

Board Committee members	Executive Committee	Audit Committee	Governance, Nomination and Remuneration Committee	Board Risk Policy Committee
Mr. Selman Al Fares		5(5)		
Mr. Abdulla bin Mohammed Al Zamil	6(6)			
Mr. Abdulaziz bin Abdulrahman Al-Helaissi	6(6)			
Dr. Najem bin Abdulla Al Zaid				4(4)
Mr. Sultan bin Abdul Malek Al Sheikh	5(6)			
Mr. Bander bin Abdulrahman bin Mogren			2(3)	
Engr. Muhannad Al Azzawi	6(6)		3(3)	
Mrs. Anju Patwardhan	6(6)			4(4)
Mr. Rajeev Kakar				4(4)
Mr. Yousef Al-Harjan			3(3)	
Mr. Hassan Al Mulla		5(5)	3(3)	
Dr. Abdulla Al Shwer		4(5)		
Mr. Mohammed Aloyaidi		5(5)		

* Figures in (brackets) indicate the maximum number of meetings during the year.

Board of Directors Report (continued)

21. Board of Directors and Executive Management (continued)

Board Committees Meetings During 2023

Type of meeting	Meeting dates
Executive Committee	16 February 2023 04 May 2023 27 July 2023 04 October 2023 25 October 2023 06 December 2023
Audit Committee	13 February 2023 1 May 2023 26 July 2023 23 October 2023 3 December 2023
Board Risk Policy Committee	14 February 2023 2 May 2023 25 July 2023 24 October 2023
Governance, Nomination and Remuneration Committee	14 February 2023 20 March 2023 4 December 2023

Remuneration of the Directors and Executive Management

The compensation that the Non-Executive members of the Board of GIB KSA in their capacity as Directors are entitled to for the year ended 31 December 2023 was 4,533,285.72 MM SAR (excluding travel costs and out of pocket expenses).

GIB KSA's policy to determine the compensation paid to members of the Board of Directors of GIB KSA or members from outside the Board is determined in accordance with the frameworks issued by the supervisory authorities and governed by prime principles of governance of banks operating in Saudi Arabia and the compensation regulations issued by SAMA, the provisions of the Companies Law, GIB KSA's bylaws, GIB KSA's Corporate Governance Policy and the Board Remuneration Policy.

Directors and members from outside the Board shall be entitled to an annual remuneration approved by the Shareholders at the Annual General Assembly Meeting, which shall be paid on a pro-rata basis in line with their attendance to Board meetings throughout a given year. Any payments to Executive Members will be addressed in their relevant contracts with GIB KSA.

Other than as stated in this Report, none of the Board or sub-committee members have assumed any work in a technical or advisory role, and therefore they did not obtain any consideration or special benefits in this respect.

The table below shows details of remuneration that the Non-Executive Board / Board Committee Members are entitled to in 2023.

Annual Remuneration for 2023 for Non-Executive Board / Board Committee Members (in SAR)

Member	Board & Committee Sitting Fees	Annual Remuneration	Total
Mr. Abdulla bin Mohammed Al Zamil	53,000.00	582,500.00	635,500.00
Dr. Najem bin Abdulla Al Zaid	47,000.00	420,000.00	467,000.00
Mr. Rajeev Kakar[1]	56,000.00	400,000.00	456,000.00
Mr. Selman Al Fares[2]	67,500.00	420,000.00	487,500.00
Engr. Muhannad Al Azzawi	62,000.00	400,000.00	462,000.00
Mr. Hassan Al Mulla	24,000.00	260,000.00	284,000.00
Mr. Mohammed Aloyaidi	15,000.00	120,000.00	135,000.00
Dr. Abdulla Al Shwer	12,000.00	96,000.00	108,000.00
Mr. Bander bin Abdulrahman bin Mogren[3]	31,000.00	285,714.29	316,714.29
Mr. Sultan bin Abdul Malek Al Sheikh[4]	40,000.00	285,714.29	325,714.29
Mrs. Anju Patwardhan – 39,000 (Committee) 35,000 (Board)[5]	74,000.00	400,000.00	474,000.00
Mr. Yousef Al-Harjan	39,000.00	342,857.14	381,857.14
Total	**520,500**	**4,012,785.72**	**4,533,285.72**

[1] SAR 9,000 total amounts paid to the member, includes as an allowance for attending the Retail Steering Committee meetings, which is a committee that is not affiliated from the Board.

[2] SAR 8,500 paid to Mr. Selman Al Fares as part of additional sitting fees for meetings in financial year 2022, SAR 9,000 total amounts paid to the member, includes as an allowance for attending the Retail Steering Committee meetings, which is a committee that is not affiliated from the Board.

[3] Payments disbursed directly to the Public Investment Fund

[4] Payments disbursed directly to the Public Investment Fund

[5] Payments disbursed directly to the Public Investment Fund, noting that SAR 9,000 total amounts paid to the member, includes as an allowance for attending the Retail Steering Committee meetings, which is a committee that is not affiliated from the Board.

The remuneration of the senior executives (subject to approval by SAMA) for the year ending 31 December 2023 was SAR 26,989,176.28 (consisting of SAR 21,349,114.45 as fixed compensation and SAR 5,640,061.83 as variable compensation).

In addition, remuneration of the five highest paid members of the executive management, including the Chief Executive Officer and Chief Financial Officer, for the year ending 31 December 2023 was SAR 13,227,630.91 (consisting of SAR 9,905,600.49 as fixed compensation and SAR 3,322,030.42 as variable compensation).

Board of Directors Report (continued)

22. Board Committees

The Committees of the Board derive their authorities and powers from the Board. Details of Committees' membership are listed in the table below:

Board Committees' Membership

Board Committees	Member Name	Member Position/ Classification	Experience and Positions	Qualifications	Directorship in other entities (whether inside or outside Saudi Arabia)
Executive Committee	Mr. Abdulla bin Mohammed Al Zamil	Chairman (Non-Executive Board Member)	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"
	Mr. Abdulaziz bin Abdulrahman Al-Helaissi	Member (Executive Board Member)			
	Mr. Sultan bin Abdul Malek Al Sheikh	Member (Non-Executive Board Member)			
	Mrs. Anju Patwardhan	Member (Non-Executive Board Member)			
	Engr. Muhannad Al Azzawi	Member (Independent Board Member)			
Audit Committee	Mr. Selman Al Fares	Chairman (Independent Board Member)	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"
	Mr. Mohammed Aloyadi	Member (Independent-Non Board Member)	**Current:** Aloyaidi & Alsaloum CPAs Partner. **Previous:** 1. The Consulting Clinics Public Relationship 2. Ernst & Young Assurance Services (External Audit). 3. Seconded to The World Bank Group Audit Analyst. 4. Saudi Arabian Capital Market Authority (CMA) Capital Market Institutions Supervision Acting Head of Cycle Inspection Unit. 5. KPMG Risk Consulting Director. 6. Al-Imam Mohammad Ibn Saud University Accounting Department Part-time Teacher.	1. Bachelor's in Accounting, King Saud University 2. MBA, University of Oklahoma. 3. Diploma in Computer Programing ,New Horizons Institute.	**Current memberships:** 1. Kingdom Holding Co. Audit Committee Member. 2. Saudi Helicopter Co. Audit Committee Member. 3. The Mediterranean and Gulf Insurance and Reinsurance Co. (Medgulf) - Independent Board Member - Audit Committee Chairman 4. Saudi Organization for Auditors and Accountants (SOCPA) Auditing Standards Committee Member. 5. Saudi Real Estate Refinancing Co. Audit Committee Member. 6. SNB Capital Funds Independent Funds Board Member.

Board of Directors Report (continued)

22. Board Committees (continued)

Board Committees' Membership (continued)

Board Committees	Member Name	Member Position/ Classification	Experience and Positions	Qualifications	Directorship in other entities (whether inside or outside Saudi Arabia)
Audit Committee (continued)	Dr. Abdulla Al Shwer	Member (Independent-Non Board Member)	**Current:** Ashmore Investments Saudi Arabia, Chief Executive Officer. **Previous:** 1. University of Wisconsin, Lecturer, 2010. 2. Agriculture Development Fund, Investment Advisor, 2015. 3. Higher Commission of Endowments, Investment Advisor, 2015. 4. King Saud University, Professor, Chairman, 2020. 5. Ministry of Education, Minister Advisor, 2016. 6. Higher Education Fund, General Manager for Strategic Planning 2003.	1. Bachelor's in Finance, King Saud University, 2000. 2. Master's in Finance, University of Toledo, 2004. 3. Doctorate in Finance, University of Wisconsin, 2012. 4. Certificate in Investment, CFA Institute, 2013 5. Certificate in Executive Education Program, Indian Institute of Technology Stuart School, 2014. 6. Certificate in Executive Education Program, London Business School, 2015. 7. Certificate in Executive Education Program, International Institute for Management Development, 2017.	**Current Memberships:** 1. Ashmore Investment Saudi Arabia. 2. Saudi Agricultural & Livestock Investment Company (SALIC) 3. Riyadh School. 4. Tadawul Holding. 5. GIB KSA. 6. Tatweer Holding. 7. Diriyah Gate Development Authority. 8. King Saud University Endowments. 9. Al Esamiah Investment. **Previous Memberships:** 1. TAQNIA. 2. Alkhozama Management company. 3. Chemical Development Company. 4. Saudi Bakeries. 5. Capital Market Authority. 6. Higher Education Fund. 7. Sulaiman Al Rajhi Endorsements. 8. Kirnaf Finance.
	Mr. Hassan Al Mulla	Member (Independent-Non Board Member)	**Previous:** 1. EY-Bahrain, Audit Assistant, 1983. 2. GIB B.S.C, Internal Auditor, Group Chief Auditor, 2016 3. GIB B.S.C, Advisor to the CEO, 2018.	1. Bachelor's in Accounting, Riyadh University, 1980. 2. Certificate in Banking, Chartered Institute of Bankers - UK, 1994.	**Current Memberships:** 1. King Fahd Causeway Authority 2. GIB KSA 3. GIB Capital
Governance, Nomination & Remuneration Committee	Mr. Hassan Al Mulla	Chairman (Independent-Non Board Member)	Please see above.	Please see above.	Please see above.
	Mr. Bander bin Abdulrahman bin Mogren	Member (Non-Executive Board Member)	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"
	Engr. Muhannad Al Azzawi	Member (Independent-Board Member)			
Board Risk Policy Committee	Dr. Najem bin Abdulla Al Zaid	Chairman (Non-Executive Board Member)	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"	Please refer to Point 23 "Directors and Senior Executive Interest"
	Mr. Rajeev Kakar	Member (Non-Executive Board Member)			
	Mrs. Anju Patwardhan	Member (Non-Executive Board Member)			

Board of Directors Report (continued)

22. Board Committees (continued)

Board Committees' Membership (continued)

Executive Committee

The Executive Committee is authorised to formulate executive policy of GIB KSA and supervise the implementation of the executive policy, assist the Board by reviewing, evaluating and making recommendations to the Board with regard to key strategic issues such as mergers, acquisitions or material changes in key strategic objectives or direction, approve credit limits that exceed the authority of the CEO subject to the limits approved by the Board such other responsibilities specifically mandated to it by resolution of the Board.

Audit Committee

The Audit Committee's responsibilities include, without limitation, assisting the Board in providing oversight of the integrity of GIB KSA's financial statements; GIB KSA's compliance with legal and regulatory requirements; GIB KSA's compliance with the rules of good corporate governance; the external auditors' qualifications and independence; performance of GIB KSA's internal audit function; independent audits and regulatory inspections; the review of GIB KSA's systems of internal controls regarding finance, accounting, legal, compliance and ethics that management and the Board have established; the review of GIB KSA's compliance, auditing, accounting and financial reporting policies and processes , and the review of internal audit, external audit and compliance reports and ensure that senior management is taking necessary corrective actions in a timely manner to address any control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors, the compliance officer and other control functions.

Governance, Nomination and Remuneration Committee

The Governance, Nomination and Remuneration Committee's role is to act as the agent of the Board in ensuring good corporate governance to govern and outline the procedures and guidelines in relation to compliance with the corporate governance principles applicable to GIB KSA, formulation of GIB KSA's executive and staff remuneration policy as well as establishing processes for the identification of, and recommending, suitable candidates for senior management, establishing processes for the review of the performance of the individual directors and the Board as a whole, establishing processes for the review of the performance of senior management, and recommending to the Board the appropriate skill criteria and any applicable regulatory requirements to be taken into account in the shareholders' assessment of new candidates for directorships.

Board Risk Policy Committee

The primary objective of the committee is to assist the Board in fulfilling its oversight responsibilities in respect of setting GIB KSA's overall risk appetite, parameters and limits within which it conducts its activities.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest

Board Members

All the members of the Board of Directors were duly appointed, for the term of 5 years, during the Constituent General Meeting held on 28 February 2019.

The Board of Directors, including any persons directly related to them, neither hold any shares or have any other interest in the company. The below table shows their directorship in entities, whether inside or outside of the Kingdom of Saudi Arabia as of 31 December 2023:

Name	Qualifications	Experience and Positions:	Other Directorship & Associations with Enterprises inside and outside Saudi Arabia
Mr. Abdulla bin Mohammed Al Zamil	1. Bachelor's in Industrial Engineering, University of Washington, 1987. 2. MBA, King Fahd University of Petroleum and Minerals, 1993.	**Current:** Zamil Industrial, Chief Executive Officer. **Previous:** 1. Zamil Air Conditioners, Industrial Engineer, 1995. 2. Zamil Air Conditioners, Vice President, 2000. 3. Zamil Industrial, Senior Vice President, 2003. 4. Zamil Industrial, Chief Operating Officer, 2009.	**Current Memberships:** 1. GIB KSA - Chairman of the Board of Directors. 2. GIB B.S.C. - Chairman of the Board of Directors. 3. GIB Capital - Chairman of the Board of Directors. 4. GIB UK - member of the Board of Directors. 5. Zamil Industrial Investment Company - Chairman of the Board of Directors. 6. RANCO Zamil Concrete Industries - member of the Board of Directors. 7. Gulf Insulation Group (GIG) - Chairman of the Board of Directors. 8. Zamil Offshore Services Co. - member of the Board of Directors. 9. Zamil Steel Holding Co. - Chairman of the Board of Directors 10. Saudi Global Ports (SGP) - Chairman of the Board of Directors. 11. Awqaf Sulaiman Al Rajhi Hold Company - Chairman of the Board of Directors. **Previous Memberships:** 1. Eastern Province Council (Government Entity) Member of the Board of Directors. 2. Dammam Airports Company (DACO) - Chairman of the Board of Directors. 3. VIVA Bahrain (STC) - member of the Board of Directors. 4. General Authority of Civil Aviation (GACA). 5. Job Creation Commission - member of the Board of Directors. 6. Chamber of Commerce & Industry Eastern Province - member of the Board of Directors. 7. Neom Industrial City - member of the Board of Directors. 8. Human Resources Development Fund (HRDF) - member of the Board of Directors. 9. Dhahran Ahliyya School (DAS) - member of the Board of Directors. 10. Saudi Food Bank - member of the Board of Directors. 11. Endeavor Saudi Arabia - member of the Board of Directors. 12. Zamil Air Conditioners Holding Co. - Chairman of the Board of Directors.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Board Members (continued)

Name	Qualifications	Experience and Positions:	Other Directorship & Associations with Enterprises inside and outside Saudi Arabia
Mr. Selman Al Fares	Bachelor's in MIS, Arizona State University.	**Current:** 1. AlMajd AlArabiyah Co, Chief Executive Officer. 2. Naseel Holding Co. – Chief Executive Officer **Previous:** 1. Samba Financial Group, Computer Programmer, General Manager, Regional Operations Manager, Senior Country Operations Officer, 1992. 2. AwalNet, Managing Director, 1997. 3. Riyad Bank, Assistant General Manager, 1998. 4. Gulf Stars Group Network Technology and Technology Solutions, President, 1999. 5. AlFaisaliah Group, Managing Director, 2004. 6. Nessel Holding Company, CEO, 2019.	**Current Memberships:** 1. GIB KSA - Vice Chairman of the Board of Directors. 2. Technical Investments Company (TechInvest)- member of the Board of Directors. 3. Hassana Investment Company- Vice Chairman of the Board of Directors. 4. Inaya Medical College- Vice Chairman of the Board of Directors. 5. AlMalath AlArabiah- Chairman of the Board of Directors. 6. Smart Link- Chairman of the Board of Directors 7. Tawuniya- Vice Chairman of the Board of Directors. **Previous Memberships:** 1. Bupa Arabia 2. Astra Industrial Group (AIG) 3. Rasmala Investment Co. - Dubai. 4. Saudi Automotive Services Company (SASCO). 5. The Investor for Securities Company (INVESCO), Saudi Arabia. 6. AwalNet. 7. Riyadh Chamber of Commerce (served for four terms). 8. Solidere International - Dubai. 9. Al-Raidah (RIC). 10. Falcom Holdings.
Mr. Abdulaziz bin Abdulrahman Al-Helaissi	Bachelor of Art, Economics, University of Texas, 1989.	**Current:** 1. GIB KSA, Chief Executive Officer 2. GIB B.S.C, Group Chief Executive Officer. **Previous:** 1. Saudi Hollandi Bank, Relationship Manager, Portfolio Manager Division Manager, 1996. 2. Arab National Bank, Team Leader, Head of Corporate Banking, Deputy Group Head, Head of Merchant Banking, 2007. 3. The Saudi British Bank, Area General Manager, 2010. 4. JPMorgan Chase, Head of Global Corporate Banking MENA, 2013. 5. SAMA, Deputy Governor, Senior Advisor to the Governor, 2015.	**Current Memberships:** 1. GIB KSA - member of the Board of Directors. 2. GIB B.S.C. - member of the Board of Directors. 3. GIB UK Limited (GIB UK) - Chairman of the Board of Directors. 4. GIB Capital - member of the Board of Directors. 5. King Fahd Causeway Authority - member of the Board of Directors. 6. Saudi Golf Federation - member of the Board of Directors. 7. Golf Saudi Company - member of the Board of Directors. 8. Emerging Market Advisory Council of Institute of International Finance, Inc. (IIF - USA) - member. 9. Bahrain Institute for Banking and Finance (BIBF) - member. **Previous Memberships:** 1. Tadawul Stock Exchange. 2. Astra Foods Company Riyadh. 3. JPMorgan Investment Bank.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Board Members (continued)

Name	Qualifications	Experience and Positions:	Other Directorship & Associations with Enterprises inside and outside Saudi Arabia
Dr. Najem bin Abdulla Al Zaid	1. Bachelor's in Islamic Law and Saudi Legal system, Umm Al-Qura University, 1994 2. High diploma in Law, Institute of Public Administration, 1995. 3. Master's in Corporate Law; International Law and Contracts, University of Minnesota Law School, 1999. 4. Doctorate in Law, George Washington University, 2010.	**Current:** Deputy Minister of Justice **Previous:** 1. Commission of Investigation and Public Prosecution, Public Prosecutor, 1997. 2. The World Bank Group, Consultant, 2000. 3. The Islamic Development Bank Group, Lawyer, 2004 4. The Capital Market Authority, Assistant General Counsel, General Director and Legal Counsel, Commissioner, 2016. 5. Al Rajhi Bank, Chief Governance & Legal Counsel, 2017. 6. Higher Education Fund (HEF), Advisor, 2021. 7. ZS&R Law Firm (Al Zaid, Al Sheikh & Al Rashed Law Firm) in association with Hogan Lovells, Founder and Managing Partner.	**Current Memberships:** 1. GIB B.S.C.- Vice Chairman of the Board of Directors. 2. GIB KSA.- member of the Board of Directors. 3. Saudi Electricity Company. 4. Saudi Tadawul Group- member of the Regulatory Policy & Oversight Committee. Previous Memberships: 5. Arabian Centers Company. 6. The Diriyah Gate Development Authority. 7. The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. (Medgulf). 8. Saudi Agricultural & Livestock Investment Company (SALIC). 9. Saudi Falcon. 10. National Privatization Centre. 11. Saudi Arabia's Accession to The World Trade Organization. 12. Sahara International. Petrochemical Company (SIPCHEM). 13. Saudi Electricity Company.
Mr. Sultan bin Abdul Malek Al Sheikh	1. Bachelor's in Finance, King Fahd University of Petroleum and Minerals, 2004. 2. Master's in Finance, George Washington University, 2009.	**Current:** Public Investment Fund, Senior Director. **Previous:** 1. National Commercial Bank, Relationship Manager, 2006. 2. Capital Market Authority, Officer, 2013. 3. Saudi Fransi Capital, Associate, Vice President, 2015. 4. Public Investment Fund, Vice President, Senior Vice President, Director, 2021	**Current Memberships:** 1. GIB B.S.C.- member of the Board of Directors. 2. GIB KSA- member of the Board of Directors. 3. Saudi Company for Exchanging Digital Information (Tabadul)- Chairman of the Board of Directors. 4. Saudi Real Estate Refinance Co.- member of the Board of Directors. 5. Tahakoum Investment Company member of the Board of Directors. 6. Tawreed Company for Financing solutions- Chairman of the Board of Directors. 7. Saudi Sports Company- member of the Board of Directors. 8. Al-Nassr Club Company member of Executive Committee. 9. The Regional Voluntary Carbon Market Company (RVCMC) - member of Executive Committee. **Previous Memberships:** 1. The Helicopter Company. 2. Saudi Telecom Company. 3. Al Marai Co.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Board Members (continued)

Name	Qualifications	Experience and Positions:	Other Directorship & Associations with Enterprises inside and outside Saudi Arabia
Mr. Bander bin Abdulrahman bin Mogren	Bachelor's in Human Resources and Business, Eastern Washington, 2000.	**Current:** Public Investment Fund (PIF), Chief Operating Officer. **Previous:** 1. STC, Several Managerial positions, 2007. 2. Jadwa Investment, Head of Human Resources, 2014. 3. NCB Capital, Managing Director Human Resources Corporate Services.	**Current Memberships:** 1. GIB KSA - member of the Board of Directors. 2. GIB B.S.C. - member of the Board of Directors. 3. Sports Investment Company - Chairman of the Board of Directors. 4. Saudi Development and Investment Company (TAQNIA) - member of the Board of Directors. 5. King Abdulla Financial District Development & Management Company (KAFD) - member of the Board of Directors. 6. Neom Company - member of the Remuneration and Nomination Committee. 7. Jasara - Chairman of the Board of Directors. 8. Noon Investment Company - member of the Nomination and Remuneration Committee. 9. Sanabil Investments - member of the Human Capital & Compensation Committee. 10. Tadawul - member of the Nomination and Remuneration Committee. 11. National Centre for Privatization (NCP) - member of the Nomination and Remuneration Committee. 12. Qiddiya - member of the Nomination and Remuneration Committee. 13. Royal Court Decision Support Center (DSC) - member of the Nomination and Remuneration Committee. 14. Savvy - member of the Nomination and Remuneration Committee. 15. The Saudi Arabian Military Industries company (SAMI) - member of the Nomination and Remuneration Committee. 16. Riyadh Air- member of the Nomination and Remuneration Committee. 17. Professional Fighters League (PFL)- member of the Nomination and Remuneration Committee. 18. Newcastle United Football Club (NUFC) - member of the Nomination and Remuneration Committee **Previous Memberships:** 1. Central Ar-riyadh Development Company. 2. Saudi Real Estate Company (Al Akaria). 3. Projects Capital - member of the Nomination and Remuneration Committee. 4. E-games Infrastructure Company (VoV) - member of the Board of Directors and Nomination Committee.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Board Members (continued)

Name	Qualifications	Experience and Positions:	Other Directorship & Associations with Enterprises inside and outside Saudi Arabia
Mr. Rajeev Kakar	1. Diploma, Physics, Chemistry, Mathematics, Social Sciences, Humanities, St. Columba's School, New Delhi, India, 1980. 2. Bachelor's in Mechanical Engineering, Indian Institute of Technology, New Delhi, India, 1985. 3. Master's in Finance & Marketing, Indian Institute of Management, Ahmedabad, India, 1987.	**Previous:** 1. Citi India, Various Senior roles in the cities of Kolkata, New Delhi, and Mumbai, Marketing Director-Citibank India (Based in Chennai, India), 1987-1996. 2. Citicorp Maruti/Suzuki Finance Ltd, Founder, Managing Director & CEO- Citicorp Suzuki Finance Ltd. (HQ New Delhi, India), 1998-2000. 3. Citi India Auto Finance Business, CEO & Business Manager- Citibank Auto Finance (HQ in New Delhi, India), 1996-2000. 4. Citi Egypt, CEO & Country Head- Citibank N.A. Egypt (HQ in Cairo, Egypt), 2000- 2002. 5. Citi Turkey and Egypt, CEO & Country Head-Citibank N.A. Turkey & Egypt Region (HQ in Istanbul Turkey), 2002-2003. 6. Citibank Turkey, Middle East & Africa (TMEA), CEO & Division Executive-Citibank Turkey, Middle East & Africa Region (HQ in Dubai, UAE), 2003-2006. 7. Fullerton Financial Holdings, Singapore, Global Co-founder, Executive Vice President, Founder member, Regional CEO -CEEMEA, Global CEO - Consumer Banking, Fullerton Financial Holdings (Global)- HQ: Singapore, 2006-2017. 8. Dunia Finance LLC (Fullerton Affiliate), UAE, Founder, Managing Director on Board, and Chief Executive Officer - Dunia Finance (UAE), 2008-2018.	**Current Memberships:** 1. GIB KSA - member of Board of Directors. 2. Eurobank Ergasias, Greece - member of the Board of Directors. 3. GIB B.S.C - member of Board of Directors. 4. UTI Mutual Fund, India - member of the Board of Directors 5. Commercial International Bank (CIB), Egypt - member of the Board of Directors. 6. CIB Mayfair Bank, Kenya- member of the Board of Directors. **Previous Board Memberships:** 1. Satin Credit care Network Ltd, India. 2. Association of External Search Consultants- USA. 3. Adira Dinamika Multi Finance Tbk, Indonesia. 4. Fullerton India Credit Corporation, India. 5. Fullerton Securities & Wealth Advisors, India. 6. Fullerton Financial Holdings Pte Ltd, Singapore. 7. Dunia Finance LLC, UAE. 8. Visa International, CEEMEA. (HQ: London, United Kingdom). 9. Private Sector Volunteers Association, Turkey. 10. Citicorp Maruti (Suzuki) Finance Ltd, India. 11. University of Chicago's Booth School of Business, USA (Global Advisory Board). 12. S P Jain School of Global Management, UAE (Advisory Board). 13. Sicreva Global DMCC, UAE - member of the Board of Directors and Owner. 14. PAN IIM Alumni Network (Gulf & Middle East), UAE - Independent non-executive board member.
Engr. Muhannad Al Azzawi	Bachelor's in Computer Engineering, King Saud University, 1993.	**Current:** 1. Saudi Industrial Constructions & Engineering Projects Co. (SICEP), Partner & CEO. 2. Saudi Technology and Trade Co. (ST&T), CEO & Partner. 3. Al Wusataa Development company, Partner & CEO.	**Current Memberships:** 1. Al-Rajhi Company for Cooperative Insurance (PJSC)- Member of the Board of Directors. 2. Bin Laden International Holding Co. BIHG- Chairman of the Board of Directors. 3. General Authority for Civil Aviation (GACA) 4. Saudi Golf Co- Member of the Board of Directors. 5. GIB KSA- member of the Board of Directors. 6. General Authority for Civil Aviation GACA- member of the Board of Directors. 7. Saudi Golf Federation (SGF)TAIBA Investment (PJSC)- Member of the Board of Directors. 8. Merrill Lynch Kingdom of Saudi Arabia- Chairman of the Board of Directors. 9. Saudi Contractors Authority (SCA)- member of the Board of Directors.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Board Members (continued)

Name	Qualifications	Experience and Positions:	Other Directorship & Associations with Enterprises inside and outside Saudi Arabia
Mrs. Anju Patwardhan	1. Bachelor's in Chemical Engineering, Indian Institute of Technology (IIT), 1987. 2. Master's in Finance, Indian Institute of Management (IIM), 1989. 3. Fulbright Fellow and Visiting Scholar, Financial Technology Management and Financial Services, Stanford University, 2016. 4. Distinguished Careers Institute (DCI) Fellow, Fintech, VC, PE, Financial Well-Being, Stanford University, 2018.	**Previous:** 1. Citibank, Various roles in Citibank India, Audit Manager, Chief Digital Officer, Asia-Pacific Consumer Risk Head, 2007. 2. Standard Chartered Bank, Global Chief Operating Officer, Risk Appetite, Chief Risk Officer, Global Chief Innovation Officer, 2016. 3. CreditEase, Managing Director, 2019. 4. National University of Singapore, Director, Productive Longevity, 2021.	**Current Memberships:** 1. Upgrade Inc., United States- member of the Board of Directors. 2. Distinguished Careers Institute, Stanford University- Global Advisory Council Member. 3. 'Ekagrid: University of the Future' India- Global Advisory Board Member 4. Xapo VASP, Europe- member of the Board of Directors. 5. CE Innovation Capital Fund- Advisor. **Previous Memberships:** 1. Government of Estonia. 2. Standard Chartered Bank, Thailand. 3. AWARE Singapore. 4. SG Motor Loans Pte Limited (formerly GE Money) Singapore. 5. SC Securities (Singapore). 6. World Economic Forum. 7. Fulbright Fellow and Visiting Scholar at Stanford University. 8. Singapore Institute of Banking and Finance. 9. FTAC Olympus Acquisition Corp. SPAC. 10. Curve Inc., United Kingdom. 11. Alliance for Innovative Regulation (AIR), Washington DC.
Mr. Yousef Al-Harjan	Bachelor's in Computer Engineering, King Fahd University of Petroleum.	**Current:** 1. National Center for Government Resources Sys (NCGR), Chief Executive Officer. **Previous:** 1. Ministry of Finance - Saudi Arabia, Assistant Deputy Chief Executive Officer.	**Current Memberships:** 1. National Technology Development Program- member of the Board of Directors. 2. National Center for Government Resources Sys (NCGR)- member of the Board of Directors. 3. Ministry of Finance - Saudi Arabia- member of Steering Committee.

Senior Management

The Senior Management team is responsible for the day-to-day management of GIB KSA entrusted to it by the Board. It is headed by the CEO, who is assisted by the Chief Financial Officer, Chief Risk Officer, Chief Compliance Officer, Chief Operating Officer, Wholesale Banking Head, Retail Banking Head, Chief Investment and Treasury Officer, Chief Information Officer and Chief Human Resources Officer.

Board of Directors Report (continued)

24. Composition of the Executive Management

Name	Current Role	Experience and Positions	Qualifications
Abdulaziz bin Abdulrahman Al-Helaissi	Chief Executive Officer	Please refer to the table in section 23 above.	Please refer to the table in section 23 above.
Mushari AlOtaibi	Chief Operating Officer	**Current:** 1. GIB KSA, Group Chief Operating Officer. 2. GIB KSA – Acting Head of Retail Banking **Previous:** 1. The Saudi British Bank, Credit Cards New Accounts Manager, Manager Credit Charge Back, Manager Credit & New Accounts, Deputy Head of Credit Cards Centre, Senior Human Resources Relationship Manager, Senior Executive Network Services and Processing, Regional Head of Retail Banking & Wealth Management, Head of Human Resources Relationship, General Manager Operations and Processing, 2016. 2. GIB KSA, Deputy Chief Operating Officer, 2018.	1. INSEAD Business School, High Performance Leadership, 2008. 2. Harvard Business School, Strategic Management, 2012. 3. London Business School, High Performance Leadership, 2014.
Khalid Jalal Abbas	Group Head of Wholesale Banking	**Current:** 1. GIB, Group Wholesale Banking Head. 2. GIB B.S.C. - Country Head UAE **Previous:** 1. Bank Saudi Fransi, Relationship Officer, 2001. 2. Samba Financial Group, Assistant General Manager/Unit Head, 2010. 3. Abu Dhabi Islamic Bank, EVP/Regional Head, 2010.	1. Bachelor's in Finance, Lebanese American University, 1997. 2. Executive Education in Corporate Finance, London Business School, 2007. 3. Executive Education in Management Acceleration Program, 2006. 4. Executive Education in Leadership Development Program, University of Virginia, 2016.
Sara Samir Abdulhadi	Group Chief Investment & Treasury Officer	**Current:** 1. Group - Chief Investment and Treasury Officer **Previous:** 1. The Saudi British Bank, Deputy Treasurer, 2019.	1. Bachelor's in Accounting, King Saud University, 2002. 2. Masters in Investment Management, City University, 2003.
Naif Albaz	Chief Risk Officer	**Current:** GIB, Chief Risk Officer. **Previous:** Samba Financial Group, Regional Manager, 2013.	1. Bachelor's in Financial Economy, King Fahd University of Petroleum and Minerals, 2000. 2. Master's in General Finance, King Saud University, 3. Doctorate in Financial Executives, 2017.
Saleem Al Dabbagh	Chief Compliance Officer & Anti-Financial Crime	**Current:** GIB, Chief Compliance Officer & Anti-Financial Crime. **Previous:** 1. Banque Saudi Fransi, Deputy Manager, 2007. 2. Samba Financial Group Senior Manager 2011. 3. Deutche Bank Riyadh Branch, Head of Compliance And AML, 2011 4. Arab National Bank Head Compliance and AML, 2014. 5. Al Rajhi Bank, Deputy General Manager, 2018. 6. Saudi Fransi Capital (SFC), Chief Risk Officer, 2021.	1. Certificate ACAMS - Audit, 2017. 2. Certificate, General Security Qualification, CME-1, 2018. 3. Certificate, London Business School, Enterprise Risk Management Professional, 2020. 4. Certificate, University of Wales, Advanced Management for Bankers, 2011. 5. Master's in Business Administration, Anglia Ruskin University, 2020.

Board of Directors Report (continued)

24. Composition of the Executive Management (continued)

Name	Current Role	Experience and Positions	Qualifications
Nawaf Kably	Chief Human Resources Officer	**Current:** GIB, Chief Human Resources Officer. **Previous:** 1. BAE Systems, HR Organisation Manager,2008. 2. Integrated Telecom Company, Recruitment Manager, 2009. 3. BAE Systems, Senior HR Professional & Business Partner, 2010. 4. Intergrated Telecom Company, Head of Talent Acquisition, 2011. 5. GIB Group Head Recruitment & HR Operations, 2017.	1. Certificate in HR, Chartered Institute of Personal and Development (CIPD), 2005. 2. Post Graduate Diploma in HR, University of Leicester, 2013. 3. Executive Education in HR, London Business School, 2019. 4. Executive Education in Leadership Development Program, London Business School, 2020.
Mazen Faisal Azoony	Chief Financial Officer	**Current:** GIB, Chief Financial Officer. **Previous:** 1. SAMBA Bank, Teller 1996. 2. NCB, Accounting, Sr. Accounting, Financial control office, External report manager, Head of financial reporting, Head of Accounting Internal control 1997 3. Standard Charetted Bank, Chief Financial Officer 2021 4. Banque Saudi Fransi, Head financial reporting and accounting – acting CFO 2021	1. Bachelor of Science in Accounting, King Abdulaziz University, 1996. 2. Master in professional accounting, King Abdulaziz University, 2009. 3. Association of Chartered Certified Accountants (ACCA-Diploma in International Financial Reporting), 2009.
Abdulla Al Salman	Head of Operations	**Current:** 1. GIB, Deputy COO and Head of Operations. **Previous:** 1. SABB, JODP Trainee, Systems Engineer, Projects Leader, Manager HR Operations, 2009. 2. NAS Holding, Director of Infrastructure and Business Development, 2012. 3. SABB, Head of HR Transformation & Operations, 2015. 4. HSBC Saudi Arabia, Chief Information Officer, Chief Operating Officer, General Manager Head of Asset Management, 2021.	1. Bachelor's in Computer Engineering, King Fahd University of Petroleum and Minerals, 2003.
Ali Hassan Abdulhadi	Chief Auditor	**Current:** GIB, Chief Auditor. **Previous:** 1. Arthur Andersen, Audit Manager, 1992. 2. Ernst & Young, Principal Manager, 2002. 3. Samba Financial Group, Credit Approval Officer, 2005. 4. Saudi Hollandi Bank, Senior Financial Manager, 2006. 5. Al Rajhi Capital, Chief Audit Executive, 2007. 6. SNB Capital, Chief Audit Executive, 2012. 7. Murabaha Finance, Chief Audit Executive, 2015. 8. Arab National Bank, Deputy Chief Audit Executive, 2016.	1. Bachelor's in Accounting, King Abdulaziz University, 1992. 2. Certificate in Accounting, Institute of Management Accountants, 1995. 3. Certificate in Investment Management, Capital Market Authority, 2010. 4. Certificate in Internal Audit, Certified Risk Based Auditor, 2015. 5. Certificate in Internal Audit, International Financial Reporting (IFRS), 2019.
Khalil Baghdadi	Head of Legal and Governance Department and Board Secretary	**Current:** GIB, Head of Legal, Corporate Governance, and Board Secretary **Previous:** 1. Senior Legal Counsel at the Saudi British Bank, from March 2010 until December 2021. 2. Secondee in the Legal Department in HSBC Bank Middle East Limited, UAE, from September 2019 until September 2020. 3. Served as a member of the board of managers in SABB Insurance Agency Services from 2015 until 2021.	1. Graduate Diploma in Law (GDL), BPP University, UK - 2021. 2. L.L.M in International Commercial Law, the University of Westminster, UK - 2009. 3. L.L.B in Law, King Abdulaziz University, Saudi Arabia - 2008.

Board of Directors Report (continued)

24. Composition of the Executive Management (continued)

Name	Current Role	Experience and Positions	Qualifications
Hussein Buhaliqah	Chief Information Officer	**Current:** GIB, Group Chief Information Officer. **Previous;** 1. Freelance Programmer 2005. 2. National Commercial Bank, Senior Programmer, IT Project Manager, 2008. 3. Derayah Financial, IT Application Manager, 2011. 4. GIB, Head of IT Retail Banking, Chief Information Officer.	1. Bachelor's in Computer Science, Applied Science University, 2005. 2. Executive Education, Senior Leadership Program, 2019.
Mushari AlOtaibi	Head of Retail Banking (Acting)	**Current:** 1. GIB KSA, Group Chief Operating Officer. 2. Head of retail banking (Acting) **Previous:** 1. The Saudi British Bank, Credit Cards New Accounts Manager, Manager Credit Charge Back, Manager Credit & New Accounts, Deputy Head of Credit Cards Centre, Senior Human Resources Relationship Manager, Senior Executive Network Services and Processing, Regional Head of Retail Banking & Wealth Management, Head of Human Resources Relationship, General Manager Operations and Processing, 2016. 2. GIB KSA, Deputy Chief Operating Officer, 2018.	1. INSEAD Business School, High Performance Leadership, 2008. 2. Harvard Business School, Strategic Management, 2012. 3. London Business School, High Performance Leadership, 2014.
Mohammed Al Ajmi (Resigned – His last working date was 31st of August 2023) **(Mushari AlOtaibi has replaced him as Acting Head of Retail Banking)**	Head of Retail Banking	**Current:** GIB, Group Head of Retail Banking **Previous:** 1. AlRajhi Bank, Compliance Manager, 2010. 2. Solidrity Insurance Company, Head of Compliance, 2012. 3. Deutsche Bank AG Riyadh, Head of Compliance, 2015. 4. Deutsche Bank AG Riyadh, Chief Operating Officer, 2018. 5. Deutsche Bank AG Riyadh, General Manager, 2020.	Bachelor's in Law, King Saud University.
Ahmed Abdulrahman Algaidy	Shariah Compliant Banking Head	**Current:** GIB Saudi Arabia**,** Shariah Compliant Banking Head 2023 **Previous:** 1. Al-Rajhi Bank, Shariah consultant, Shariah board member,2004 2. Aljazera Bank, Assistant General Manager, Advisor to the Shariah Group, Shariah board member, 2007 3. Jadwa Investment ,Head of Shariah Research Department, Shariah Board Member, 2008.	1. PH. D. in Comparative Jurisprudence, Imam Muhammed Bin Saud university, 2018 2. Master Of Judicial, Imam Muhammed Bin Saud 2012. 3. Masters of Laws, Brunel university London 2023.

25. Annual General Meeting

The Bank held its annual general meeting on 17 April 2023. The meeting was a virtual meeting and attended by representatives of the Public Investment Fund, Gulf International Bank B.S.C, the external auditors of the Bank, the Chairman of the Audit Committee, and its Committee Secretary and the Chairman of the Board.

Board of Directors Report (continued)

26. Shariah Supervisory Board (SSB)

The Shariah Supervisory Board of GIB KSA ("SSB") is a separate and independent body which is made of esteemed Shariah scholars, appointed by the Board of Directors. The SSB reports to the Board of Directors and consists of three members. The SSB is the highest authority in making the final decision on matters related to the Shariah in GIB KSA's Shariah-compliant banking operations.

1. Responsibilities of the SSB

The key responsibilities of the SSB include the following:

i. Undertake Shariah supervision of Islamic businesses of GIB KSA across all segments (e.g. Retail, Wholesale and Treasury), activities, products, services, contracts, documents, including the distribution of profits to investment account holders;

ii. Issue Fatwas, approvals and recommendations on GIB KSA's Islamic products and services before the same are offered to the clients;

iii. Determine Shariah parameters necessary for GIB KSA's activities, and its compliance with Islamic Shariah within the framework of the rules, principles, and standards set by the Saudi Central Bank (SAMA); and

iv. Assist the Board and the Management or any other related party thereof in overseeing the enforcement and implementation of the SSB's resolutions.

The SSB during the year 2023 has undertaken Shariah supervision through discussing Shariah-compliant banking activities, reviewing the Shariah-compliant banking internal audit reports and ensuring that all activities are in compliance with Shariah principles and guidelines.

2. Independence of the SSB

The SSB acknowledges that it has carried out its duties independently and with the support and cooperation of the Senior Management and the Board of Directors of GIB KSA. The SSB received the required assistance to access all Islamic documents and data and reviewed and discussed necessary amendments and Shariah requirements to issue objective Shariah decisions.

3. The SSB Meetings

There were four quarterly Shariah Supervisory Board meetings held in 2023, with the following details of attendance:

SSB Members	4 December	20 September	15 June	13 March
Sheikh Adnan Alzahrani	✓	✓	✓	✓
Sheikh Maher Alqurashi	✓	✓	✓	✓
Sheikh Abdulrahman Alsulami	✓	✓	✓	✓

4. Remuneration of the SSB***

Fixed remuneration	SAR 281,250
Allowances for attending committee meetings	SAR 105,000
Total	**SAR 386,250**

**** These figures do not include VAT*

27. Applicable Laws

GIB KSA is subject to the laws of the Kingdom of Saudi Arabia which follows the general principles of Shariah. As there are different schools of Islamic jurisprudence and some schools have majority and minority views on various issues, the Saudi Arabian courts or other adjudicatory authorities have considerable discretion in the application of the principles of Shariah to each case. In addition, there are no binding precedents generally for decisions in later cases.

GIB KSA adheres to all the provisions of the Banking Control Law and all other applicable laws, rules and regulations.

28. Declarations

The Board of Directors hereby confirms (with reference to year ended 31 December 2023) that:

i. Proper books of accounts have been maintained.

ii. GIB KSA prepares its consolidated financial statements in accordance with International Financial Reporting Standard.

iii. The Internal Audit and external reviewers' reports have highlighted the opportunities for enhancement in the internal controls of GIB KSA which were either addressed or are in the process of being addressed by the management. Internal Audit tracks these recommendations and provides an update on the implementation to senior management and the Audit Committee on periodic basis.

iv. In accordance with the relevant rules and regulations and the Conflicts of Interest and Related Party Transaction Policy (the "Policy") which covers Related Party Transactions, GIB KSA has disclosed in its audited financial statements the related party contracts with entities in which a Director has a material interest and those requiring the approval of the shareholders will be submitted at the annual general meeting in line with the Policy. The Directors involved abstained from discussions and voting in relation to these contracts.

v. There is no doubt over GIB KSA's ability to continue to operate accordingly as a going concern.

vi. The Audit Committee and Board have endorsed management's assessment of GIB KSA's internal control systems.

vii. After the review by the Audit Committee, the Board endorsed the consolidated financial statements for the year 2023 on 15 February 2024 as recommended by the Committee.

Internal Controls Report

Senior management is responsible for establishing, maintaining and monitoring GIB KSA's internal control systems to ensure the effective functioning of GIB KSA. The internal control systems comprise the establishment and implementation of policies, procedures, processes, systems and a risk framework across all functions of GIB KSA, which are approved by the Board of Directors.

The *Board of Directors*, supported by the *Board Risk Policy Committee* and the *Audit Committee*, is responsible for ensuring that the internal systems and controls framework are effective for GIB KSA's business and associated risks.

The *Board Risk Policy Committee* sets and endorses the organisation's risk appetite (which is approved by the Board of Directors) and also seeks to identify the principal risks facing the organisation, together with the management. It has oversight in respect of GIB KSA's overall risk appetite, parameters and limits within which GIB KSA conducts its activities to seek assurance on an ongoing basis that the management is responding appropriately to such risks in a timely manner.

To achieve this, the Board Risk Policy Committee ensures that GIB KSA has an effective Enterprise-wide risk management framework in place and that all risk controls operating throughout GIB KSA are in accordance with regulatory requirements and best practice standards for management of risks in banks. The *Enterprise Risk Management (ERM)* Framework based approach followed by GIB KSA takes a comprehensive view of all risk families on a proactive basis – including Credit risk, Market risk, Operational risk, Interest rate risk, Liquidity risk, and non-financial risks such as strategic risk, information and cyber security risks, business model risk, reputational risk, concentration risk, etc. This enables management to effectively deal with uncertainty, and any associated risk and opportunity, enhancing the capacity to build stakeholder value. This includes aligning GIB KSA's risk appetite and strategies, ensuring well thought out risk-response decisions, helps reduce the frequency and severity of operational losses, identifies, and helps proactive management of multiple and cross-enterprise risks, prepares GIB KSA to proactively realise the opportunities arisen, and improves the capital deployment effectiveness.

Internal Controls Report (continued)

To ensure the effectiveness of the set Enterprise risk management framework, the Board Risk Policy Committee relies on adequate line functions for independent monitoring and assurance functions within GIB KSA, using a *'Three Lines of Defence'* Risk Management model to ensure that control roles are independent and responsibilities are segregated – with the *'First line of defence'* owning and managing risk as direct line functions, the *'Second line of defence'* overseeing through specialists in risk management, financial control, and compliance functions, and the *'Third line of defence'* providing independent assurance through specialist functions like Internal audit and External Statutory Audit teams. GIB KSA follows a *Forward-looking Stress Testing Framework* across all risk families to identify possible events or changes in market conditions that could adversely impact GIB KSA, and this helps in identifying action plans including contingency funding readiness for timely and adequate risk mitigating actions.

The *Audit Committee* oversees the effectiveness of GIB KSA's internal controls systems by reviewing and evaluating the systems of internal controls and meets with Internal Audit, External Audit and management to assess the adequacy and effectiveness of the systems of internal controls and obtaining reasonable assurances from them on a periodic basis. The Audit Committee periodically receives reports as to the existence of any significant deficiency or material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect GIB KSA's ability to record, process, summarise and report financial information and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in GIB KSA's internal control over financial reporting. Further, the Audit Committee Chairman provides updates to the Board on the key discussions and decisions considered by the Audit Committee.

The *Internal Audit Unit* as the third line of defence in providing an independent appraisal to the Board's Audit Committee and the management as to the effectiveness of internal controls, including conducting independent periodical reviews for the activities of the Compliance and Anti-Money Laundering Department, to review adherence with regulatory compliance and conformity with Bank's approved policies and procedures.

All significant and material findings of Internal Audit reviews are reported to the Audit Committee of the Board through quarterly activity reports. The updates include description of the internal controls' gaps noted and the corrective action plans to adequately address those gaps by the Management. The Audit Committee actively monitors the adequacy and effectiveness of the internal control system to ensure that identified risks are mitigated to safeguard the interest of the Bank and its stakeholders.

Concerted and integrated efforts are made by all functions of the Bank to improve the control environment at grass root level through continuous reviewing and streamlining of procedures to prevent and rectify any control deficiencies. Each function, under the supervision of the Senior Executive Management is entrusted with the responsibility to oversee rectification of control deficiencies identified by control bodies.

The Compliance and Anti-Money Laundering Department works closely with other control functions in order to establish an effective control framework through its duties and responsibilities under the programs of Compliance and Anti-Money Laundering that sets out its planned activities such as the implementation and review of specific policies and procedures, compliance risk assessment, and establishing a strong compliance culture among employees, and submit relevant reports to the Audit Committee who in turn assesses those programs and sets out relevant recommendations.

The Bank's internal control system has been designed to provide reasonable assurance to the Board, on the management of risks to achieve the Bank's strategic objectives. Internal control systems, no matter how effective in design, it has inherent limitations, and may not prevent or detect all control deficiencies. Moreover, the projection of current evaluations of the effectiveness to future periods is subject to a limitation that controls may become inadequate due to changes in conditions or compliance with policies and procedures.

Based on the results of the ongoing evaluation of internal controls carried out by the management during the year, the Management considers that the Bank's existing internal control system is adequately designed, operating effectively and monitored consistently.

Internal Controls Report (continued)

The process of *Internal Control* is facilitated through a set of separate functions, which report directly to senior management. These functions include risk management, financial control, and compliance. This multi-faceted approach aids the effective management of risk by identifying, measuring and monitoring controls from a variety of perspectives.

GIB KSA maintains a disciplined approach to risk-taking by upholding a comprehensive set of risk management policies, processes and limits, employing qualified people with the appropriate skills, investing in technology and training, and actively promoting a culture of sound risk management at all levels.

In relation to *Operational risk*, GIB KSA has implemented an operational risk management framework which includes tools such as risk and control self-assessment, key risk indicators, an internal control testing framework which entails a robust system of validation of controls across the first and second lines of defence and the escalation of operational risk events and remedial measures to prevent recurrence. These tools provide the business areas the opportunity to reassess the control effectiveness within their business processes. Any control deficiencies identified as a result of utilisation of these tools by the Business Units are overseen by a segregated Operational Risk Management Department and governed through the Bank's Operational Risk & Internal Control Committee reported ultimately to the Board Risk Policy Committee. Any key issues requiring the attention of senior management are escalated to GIB KSA's Management Committee.

The *Information Security function* ensures the adequate protection of GIB's and its customers' information by securing the Bank's IT and Information Security infrastructure from internal and external threats, by the implementation of "Defence in Depth" approach, i.e., layered security controls. The overall information security management system of GIB is designed in-line with industry standards, regulatory mandates and best practices, and comprises of an integrated model of people, policy, process, procedure and technology, including 24/7 security operation centre, cyber security risk management and cyber fraud, vulnerability and incident management processes, periodic penetration testing, threat intelligence management, brand protection services, preventive and detective end point / perimeter security solutions etc.

GIB KSA's *Compliance and Anti-money laundering function* performs its functions and duties through a continuous process of compliance risk assessment and ensures compliance with all applicable regulatory requirements. The Compliance Unit has a direct reporting line to the Audit Committee.

GIB KSA endeavours to inculcate a strong appreciation for risk and internal controls through periodic *training programmes* for its employees and to increase their awareness of the importance of risk assessment, and their responsibility maintaining the system of internal controls.

Whilst the risk of failures in internal controls cannot be entirely eliminated, *Management* mitigates and manages such risk by maintaining the appropriate infrastructure, controls, systems, procedures and ensuring that trained and competent people are employed to protect the interest of GIB KSA and its stakeholders.

Opinion on Internal Control by the Audit Committee

For the year ended 31 December 2023, and pursuant to the Audit Committee Mandate, which requires the Audit Committee to report its opinion on adequacy of the internal controls framework in GIB KSA, the Audit Committee was made aware of the opportunities for enhancement in the internal controls of GIB KSA. These recommendations were addressed, or are in the process of being addressed, by management. Furthermore, these recommendations are tracked and validated independently by Internal Audit and an update on the implementation is provided to the Audit Committee on periodic basis.

The following text is to be inserted by the Board in its report to the Shareholders:

"Pursuant to the above review, the Board has endorsed management's assessment of GIB KSA's internal control systems."

Board of Directors biographies

Mr. Abdulla bin Mohammed Al Zamil
Elected Chairman on 28th February 2019
Director since 2019

Mr. Abdulla bin Mohammed Al Zamil is the Chairman of the Board of Zamil Industrial Investment Company, having previously served as Chief Executive Officer. Prior to this, he was the Senior Vice President at Zamil Air Conditioners, where he started his career as an industrial engineer.

He is also the Chairman of Saudi Global Ports, Zamil Steel Holding Co., Gulf Insulation Group, Gulf International Bank B.S.C. and GIB Capital. His Board memberships include Awqaf Sulaiman Al Rajhi Hold Company, STC (Bahrain), Ranco & Zamil Concrete Industries and Zamil Offshore Services Company. Board memberships of government entities include the Eastern Province Council.

Mr. Al Zamil holds an MBA (with a concentration in Finance) from King Fahd University of Petroleum and Minerals, Saudi Arabia, and a BSc in Industrial Engineering from the University of Washington, USA. He has 37 years' professional experience.

Mr. Selman Fares M. Al Fares
Vice Chairman since October 2021
Director since December 2020

Mr. Selman Fares M. Al Fares is the Chief Executive Officer of AlMajd AlArabiyah Company for Asset and Property Management with a hospitality portfolio in Makkah, Madinah and Jeddah. Prior to this, he was the Chief Executive Officer of Nessel Holding Company, and held several senior positions in Al Faisaliah Group, Gulf Stars Group for Network Technology and Technology Solutions, and Riyad Bank.

Earlier in his career, Mr. Al Fares held numerous positions at Samba Financial Group, most recently Senior Country Operations Officer. He previously served as the Chairman of Falcom Holding and as a Board Member of GOSI.

Mr. Al Fares is currently the Chairman of AlMalath AlArabiah, Smart Link – Saudi Arabia, he is also the Vice Chairman of Tawuniya, Gulf International Bank B.S.C., Inaya Medical College, Hassana Investment, and a Board Member at the Technical Investment Company.

Mr. Al Fares holds a degree in Computer Information Systems from the Arizona State University, USA. He has 42 years' professional experience.

Mr. Abdulaziz bin Abdulrahman Al-Helaissi
Director since 2019
Chief Executive Officer
Gulf International Bank - Saudi Arabia

Mr. Abdulaziz bin Abdulrahman Al-Helaissi is the Group Chief Executive Officer and a Board Member of Gulf International Bank B.S.C. and GIB Capital and Chairman of Gulf International Bank (UK) Limited – UK.

Prior to joining GIB in February 2016, Mr. Al-Helaissi was the Deputy Governor for Supervision at the Saudi Central Bank (SAMA), having started there in May 2013. At SAMA, his responsibilities included the oversight of the Banking and Insurance sectors as well as finance company regulations (mortgage, leasing, and other nonbank finance institutions). He was additionally responsible for consumer protection.

Prior to SAMA, Mr. Al-Helaissi was Senior Country Officer and Managing Director, Saudi Arabia for JP Morgan Chase as well as Head of Global Corporate Banking for the Middle East and North Africa. Earlier in his career, he was Saudi British Bank's (affiliate of HSBC), Central Province Area General Manager, covering all key lines of business, including corporate and consumer banking. He has also served on a number of boards, including the Saudi Stock Exchange (Tadawul). He currently serves as a Board Member of the King Fahd Causeway Authority, Saudi Golf Federation, Golf Saudi Company, Bahrain Institute for Banking and Finance (BIBF) and a Member of the Emerging Markets Advisory Council of Institute of International Finance, Inc.

Mr. Al-Helaissi holds a BA in Economics from the University of Texas in Austin, USA and has 34 years of banking and regulatory experience primarily in Saudi Arabia. His various Board memberships include / have included government, semi-government and private sector entities.

Board of Directors biographies (continued)

Mr. Rajeev Kakar
Director since 2019

Mr. Rajeev Kakar is a Board Member of Eurobank Ergasias SA (Greece) Commercial International Bank (Egypt), UTI Asset Management Company (India), and he also is the Board Director of CIB Mayfair Bank (Kenya), Director and Shareholder of SiCreva Global DMCC and is a Global Advisory Board Member at the University of Chicago's Booth School of Business, a member of the Industry Advisory Board of S P Jain School of Global Management (UAE). He is also a Board Member at Indian Institutes of Managements and a Board Member at Gulf International Bank B.S.C.

He was the Global Co-Founder of Fullerton Financial Holdings, a wholly owned subsidiary of Temasek Holdings, Singapore; and served concurrently as the Global CEO of Consumer Banking, Regional CEO for Central Europe, Middle East and Africa; and as the founder, Managing Director and CEO of Dunia Finance, Fullerton's UAE subsidiary. Prior to that, he was at Citibank for 20 years, finishing as the Regional CEO & Division Executive - Turkey, Middle East and Africa.

Mr. Kakar holds an MBA, Finance & Marketing from the Indian Institute of Management, and a Bachelor of Technology in Mechanical Engineering from the Indian Institute of Technology. He has 37 years' professional experience.

Mr. Sultan bin Abdul Malek Al Sheikh
Director since 2019

Mr. Sultan bin Abdul Malek Al Sheikh is a Senior Director - Head of Financial Institutions Sector at the MENA Investments Division at the Public Investment Fund of Saudi Arabia (PIF). He is the Board Chairman of Tawreed Company for Financing solutions. He also Is a Board Member of Tahakom Investment Company, Gulf International Bank B.S.C., and Saudi Real Estate Refinance Company (SRC), and an Executive Committee Member of AlNassr Club Company and the Voluntary Carbon Market Company. In addition, Mr. Alsheikh was a Board Member at Al Marai Company until August 2022, he also was the Board Chairman of Saudi Company for Exchanging Digital Information (Tabadul).

Prior to joining PIF, Mr. Al Sheikh held key positions in reputable financial institutions. He served as an Associate and Vice President of Investment Banking at Saudi Fransi Capital. He also worked as an Officer in the Securities Listing Department at the Saudi Capital Market Authority (CMA) and as a Relationship Manager at the National Commercial Bank (NCB) of Saudi Arabia.

Mr. Al Sheikh holds a MSc in Finance from the George Washington University, USA, and a BSc in Finance from King Fahd University of Petroleum and Minerals, Saudi Arabia. He has 19 years' professional experience.

Mr. Bander bin Abdulrahman bin Mogren
Director since 2019

Mr. Bander bin Abdulrahman bin Mogren is the Chief Operating Officer at the Public Investment Fund of Saudi Arabia (PIF)., A Board Member of the Saudi Technology Development and Investment Company and the Chairman of its Remuneration Committee, and a Board Member of Gulf International Bank B.S.C. And the Board Chairman of Sports Investment Company. He is also a Board member of King Abdulla Financial District Development & Management Company (KAFD) and Professional Fighters League.

Mr. Mogren is a member of the Nomination Remuneration committees of Saudi Tadawul Group, Noon, and the National Center for Privatization, Neom, Qiddiya, Riyadh Air, Royal Court Decision Support Centre, Savvy, Newcastle United Football Club, ROSHN and The Saudi Arabian Military Industries Company. He also is a member of the Human Capital & Compensation Committee of Sanabil Investments.

Previously, he was a Managing Director of Human Resources and Corporate Services at NCB Capital, and Head of Human Resources at Jadwa Investment; as well as having held managerial positions at STC. In addition to his membership of the Nominations and Remunerations Committee at the Riyadh Downtown Development Company. He Also served as Chairman of the Board of Jasara.

Mr. Mogren holds a BA Double Major in Human Resources and Business Administration from Eastern Washington University, USA. He has 22 years of professional experience.

Mrs. Anju Patwardhan
Director since 2019

Ms. Anju Patwardhan is a globally experienced board director, banking executive, and Fintech venture investor. She has lived and worked in Singapore, San Francisco, and India.

She was the Managing Director at CreditEase Fintech VC Fund of US$ 500 million, based in Silicon Valley, from 2016, Board Director of Xapo Bank, Upgarde Inc., and Curve UK. She continues to be an advisor to the Fund and represents the Fund on the boards of various portfolio companies in the US and the UK. Before this, she worked in banking for over two decades, based in Singapore, with Citibank and Standard Chartered Bank (SCB) in global leadership roles including Global Chief Innovation Officer, Chief Risk Officer, and Chief Operating Officer. She was a member of SCB's global executive leadership team, a member of the Global Technology & Operations Management Group, and a member of the Global Risk Management Group. She was also on the board of SCB Thailand and other banking subsidiaries.

Ms. Patwardhan has served on boards of banks and regulated entities in the US, the UK, Europe, Singapore, Saudi Arabia, and Thailand. She is also on the Global Advisory Council of Stanford University's Distinguished Careers Institute (DCI) and Ekagrid University (India). She has been guest faculty for a FinTech course for MBA students at Stanford GSB since 2017. Her numerous academic accolades include Fulbright Fellow and Visiting Scholar from ASEAN at Stanford University in California. She was also appointed Distinguished Fellow of the Singapore Institute of Banking & Finance (Risk Management); Innovation Fellow at the National University of Singapore; and was on the e-Residency advisory board of the Government of Estonia. Ms. Patwardhan has been a member of the World Economic Forum's Steering Committee on 'Disruptive Innovation in Financial Services' since 2015 and was a member of the WEF's Global Future Council on Blockchain from 2016 to 2018.

Recognised globally as a FinTech thought leader and influencer, Ms. Patwardhan has been a speaker at leading annual international conferences and events, including the World Economic Forum, G20 SME Finance Forum, World Bank/IMF, Asian Development Bank, Milken Institute, Federal Reserve Bank of San Francisco, and London Business School.

Ms. Patwardhan is an alumna of the Indian Institute of Technology and the Indian Institute of Management. She has nearly three decades of professional experience.

Board of Directors biographies (continued)

Engr. Muhannad bin Kusai bin Hasan Al Azzawi
Director since 2019

Engr. Muhannad bin Kusai bin Hasan Al Azzawi is the Chief Executive Officer of Saudi Industrial Construction & Engineering Projects Company (SICEP), Chairman of Bin Laden International Holding Company, Board Member of General Authority for Civil Aviation GACA, CEO of Saudi Trading & Technology Company (Sattec) and CEO of Al Wusata Development Company. Engr. Al Azzawi is Chairman of Merrill Lynch Kingdom of Saudi Arabia, and Chairman of the Board's Remuneration and Nomination Committee; Board Member of Taiba Investments, and Chairman of the Projects Committee and member of the Investment Committee and Remuneration and Nomination Committee; and Board Member of AlRajhi company for cooperative Insurance, and member of Remuneration and Nomination Committee; and Board Member of the Saudi Arabian Golf Federation, and Chairman of the Investment Committee; and member of the Executive Committee; and Board Member of the Saudi Contractors Authority; and Board Member of Golf Saudi Company, and Chairman of the Investment Committee; and Chairman of BIHG, and Chairman of the Board's Executive Committee; and Chairman of New Vision Development company.

He was a Board Member of the General Authority of Civil Aviation, Vice Chairman of the National Contractors' Committee, Council of Saudi Chambers; Vice Chairman of the Contractors' Committee, Riyadh Chamber of Commerce and Industry; and a member of the Joint Saudi French and Joint Saudi-Italian Business Councils. In addition, he represents the private sector on several government committees concerned with the contracting sector in Saudi Arabia. He has been a member of the Young Presidents' Organisation since 2000.

Engr. Al Azzawi holds a BSc degree in Computer Engineering from King Saud University, Saudi Arabia. He has 30 years' professional experience.

Dr. Najem bin Abdulla Al Zaid
Director since 2019

Dr. Najem bin Abdulla Al Zaid is the Vice Minister of Justice, Saudi Arabia and was the Founding Partner of ZS&R law firm in association with Hogan Lovells. He is the Chairman of the Board of Saudi Electricity Company and Vice Chairman of Gulf International Bank B.S.C. and a member of the Tadawul Regulatory Policies and Oversight Committee. Further, he is a Board Member of the Royal Commission for Riyadh City, Governance Committee member at Saudi International Petrochemical Company and Audit Committee Member at Public Investment Fund of Saudi Arabia (PIF).

He also served as the Vice Chairman of The Mediterranean & Gulf Cooperative Insurance & Reinsurance Company, Board Member of the National Centre for Privatization & PPP, member of the audit committees' at Diriyah Gate Development Authority and the Saudi Agriculture & Livestock Company (SALIC), member of the governance committee at Arabian Centres Company, and member of the Saudi Delegation that negotiated KSA's World Trade Organization (WTO) membership.

Prior to founding ZS&R, Dr. Al Zaid was the Chief Governance and Legal Officer at Al Rajhi Bank Group and previously served as the Commissioner and a Board Member of the Saudi Capital Market Authority, appointed by royal decree. He also worked as Counsel at the Islamic Development Bank Group.

Dr. Al Zaid holds a Doctor of Juridical Science from the George Washington University Law School, USA, a Master of Laws from the University of Minnesota Law School, USA, a High Diploma in Law from the Institute of Public Administration, Saudi Arabia and a BA in Islamic Jurisprudence & Law from Umm AlQura University, Saudi Arabia. Further, he successfully completed the Harvard Law School Leadership Program and the London Business School Management Development Program. He has 29 years' professional experience.

Mr. Yousef Al-Harjan
Director since October 2022

Mr. Yousef Al-Harjan is the Chief Executive Officer and Board Member at the National Center for Government Resources Systems and a Board Member in the National Technology Development Program. Prior to this, he spent 14 years with the Ministry of Finance of Saudi Arabia, including as the Assistant Deputy Minister for National Systems. Earlier in his career Mr. Al-Harjan also held positions in Etimad, SADAD and STC.

Mr. Al-Harjan holds a BSc in Computer Engineering from the King Fahd University of Petroleum and Minerals, Saudi Arabia and an advanced leadership qualification from the London Business School. He has 18 years of professional experience.

Senior Executive Management

Abdulaziz Al-Helaissi
Chief Executive Officer and Board Member,
Chairman – Gulf International Bank (UK) Limited

Abdulaziz Al-Helaissi has 34 years' banking and regulatory experience and holds BA in Economics from the University of Texas in Austin, USA. His various board memberships include / have included governmental, semi-governmental and private sector entities.

Khaled Abbas
Head of Wholesale Banking

Khaled Abbas has 27 years' regional banking experience in Saudi Arabia, Bahrain and the UAE. He holds a BSc in Business Studies from Lebanese American University, Beirut, Lebanon and has obtained executive education degrees from Harvard Business School, Darden Business School at the University of Virginia and INSEAD, France.

Nawaf Kably
Chief Human Resources Officer

Nawaf Kably has more than 27 years of experience in human resources in global organisations. He is a chartered fellow member of the Chartered Institute of Personnel and Development and holds a Post Graduate degree from the University of Leicester, United Kingdom, specialising in Human Resources Development and Performance Management.

Mushari Al Otaibi
Chief Operating Officer
and Acting Head of Retail Banking

Mushari Al Otaibi has over 32 years' experience in Back Office Operations, Human Resources, Retail Banking and Wealth Management. Mushari attended the High Performers Leadership Programme at INSEAD, France, and the Finance for Non-Finance Executives Programme at London Business School in UK.

Sara Abdulhadi
Chief Investment and Treasury Officer

Sara Abdulhadi has more than 20 years of experience in global markets activities and strategic planning with a background in investments, derivative and FX trading; along with liquidity and funding management and holds an MSc in Investment Management from Cass Business School, City University, London and a BSc in Accounting from King Saud University, Riyadh. Sara has also completed the Advanced Management Program (AMP) at Harvard Business School.

Ali Abdulhadi
Chief Auditor

Ali Abdulhadi has 32 years' senior level banking and audit experience. He has a Bachelor of Accounting degree from King Abdulaziz University, Jeddah, Saudi Arabia, and is an associate member of the Institute of Internal Auditors and the Institute of Management Accountants.

Senior Executive Management (continued)

Naif Al Baz
Chief Risk Officer

Naif Al Baz has 25 years of executive regional banking and financial institutions experience and is a Board Member at several financial and non-financial institutions. He holds a BSc in Finance from King Fahd University of Petroleum and Minerals and an MBA from King Saud University. Naif also studied leadership programs at INSEAD and Harvard Business School. He holds an Executive Doctorate degree from Cranfield University, UK.

Khalil Baghdadi
Head of Legal and Governance

Khalil Baghdadi has more than 13 years' experience in the Banking and Finance legal practice and holds an LL.M. in International Commercial Law from the University of Westminster, London, UK, and a Bachelor's degree in Law from King Abdulaziz University, Jeddah, Saudi Arabia.

Hussein Buhaliqah
Chief Information Officer

Hussein Buhaliqah has more than 21 years of experience in Information Technology including IT leadership and strategy. He has a BSc in Computer Science from the Applied Science University, Jordan, as well as executive education in leadership and certification in project management.

Engr. Abdullah Alsalman
Deputy COO and Head of Operations

Engr. Abdullah Alsalman has more than 21 years' experience in financial industry in Saudi Arabia including banking and capital markets. He holds a BSc in Computer Engineering from King Fahd University of Petroleum and Minerals, Saudi Arabia.

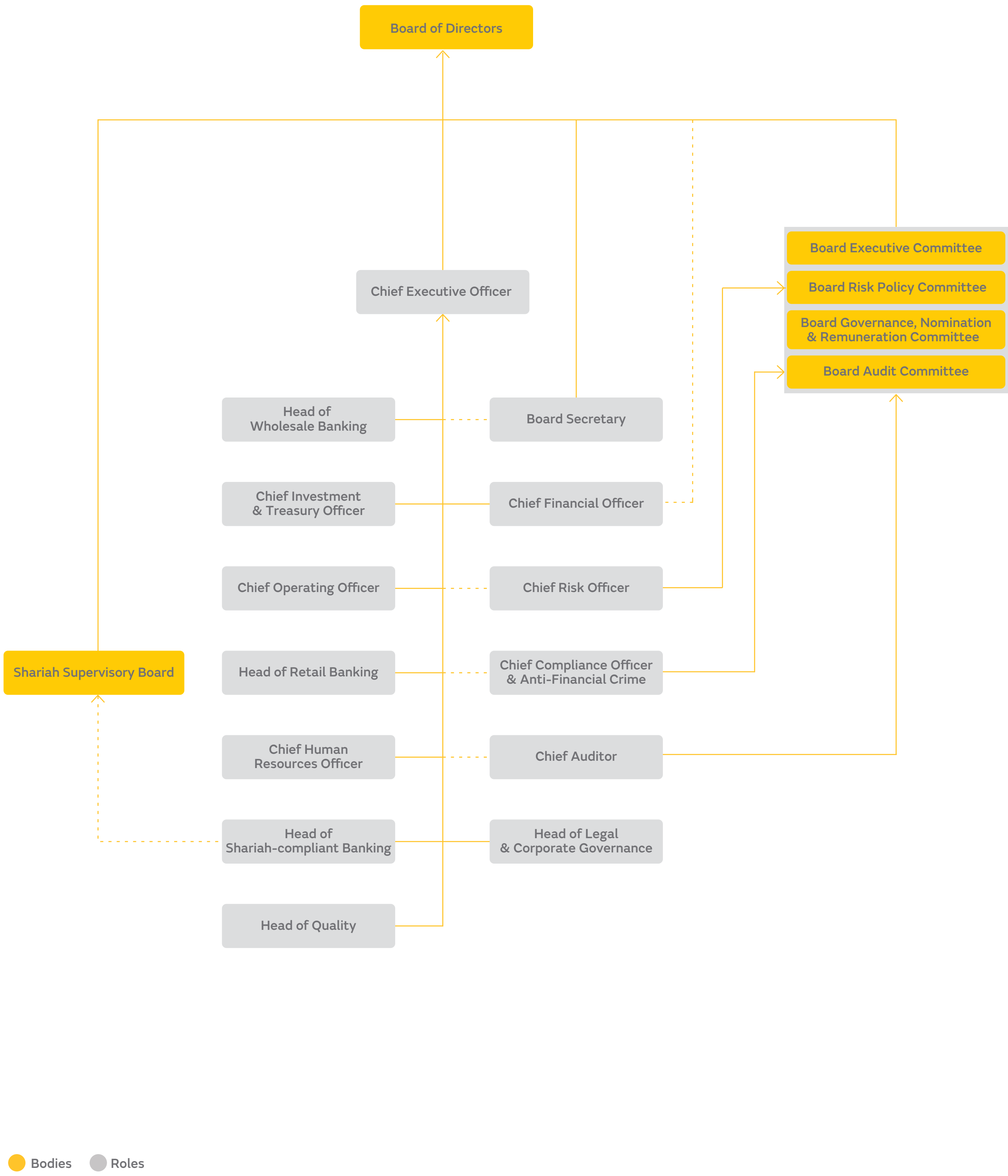
Mazen Azoony
Chief Financial Officer

Mazen Azoony has more than 27 years' experience in different managerial roles in banking, finance, and accounting functions within the Saudi banking industry. He holds a BSc in Accounting and a Masters of Professional Accounting from King Abdulaziz University, and holds an MSc, ACCA-IFRS diploma. He attended several IFRS, Professional, Managerial and Leadership programs.

Saleem Al Dabbagh
Chief Compliance Officer & Anti-Financial Crime

Saleem Al Dabbagh has 30 years' experience in Compliance and Risk Management gained across a range of financial institutions. He holds an MBA from Anglia Ruskin University in London, and several related certifications and is a member of the Associated Certified Anti-money Specialist (ACAMS), and the American Academy of Financial Management (AAFM).

Organisation and corporate governance chart



Head of Legal & Corporate Governance and Board Secretary roles are held by the same incumbent.
Due to the reporting requirements of these accountabilities, they are shown as separate.

Consolidated Financial Statements

For the year ended 31 December 2023

Contents

INDEPENDENT AUDITORS' REPORT

To the shareholders of Gulf International Bank- Saudi Arabia

(A Saudi Closed Joint Stock Company)

EY Building a better working world

Ernst & Young Professional Services
Adeer Tower, 15th Floor
Prince Turki Bin Abdulaziz Street
Al Khobar Corniche
P.O. Box 3795
Al Khobar 31952
Kingdom of Saudi Arabia
Head Office – Riyadh

KPMG

KPMG Professional Services
16th Floor, AI-Barghash Tower
6189 Prince Turkey Road, Al Kurnaish
P.O. Box 4803
Al Khobar, 34412-3146
Kingdom of Saudi Arabia
Headquarters in Riyadh

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Gulf International Banlc- Saudi Arabia ("the Bank") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards ("IFRS"), that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCP A") (collectively referred to as "IFRS that are endorsed in the Kingdom of Saudi Arabia").

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing ("ISA") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia ("the Code"), that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditors' report thereon. The management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by SOCPA, the provisions of Companies' Law, Banking Control Law in the Kingdom of Saudi Arabia and Bank's By-Laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Gulf International Bank- Saudi Arabia (A Saudi Closed Joint Stock Company) (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

As part of an audit in accordance with ISA that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Based on the information that has been made available to us, nothing has come to our attention that causes us to believe that the Bank was not in compliance, in all material respects, with the provisions of Companies' Law, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-laws, in so far as they affect the preparation and presentation of the consolidated financial statements for the year ended 31 December 2023.

Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. 422

KPMG Professional Services

Nasser Ahmed Al Shutairy
Certified Public Accountant
License no. 454

8 Ramadan 1444H
(18 March 2024)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

	Note	2023	2022
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	4	**6,667,497**	5,150,826
Due from banks and other financial institutions, net	5	**2,365,409**	4,534,002
Investments, net	6	**9,105,539**	6,792,402
Positive fair value of derivatives	7	**316,414**	417,480
Loans and advances, net	8	**27,299,961**	24,790,737
Other assets	9	**465,410**	456,165
Furniture, fixtures and equipment, net	10	**58,668**	51,541
Right-of-use assets, net	11	**233,276**	184,629
Intangible assets, net	12	**90,608**	49,287
Total assets		**46,602,782**	42,427,069
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	13	**3,856,211**	4,188,042
Customers' deposits	14	**32,105,619**	29,595,010
Negative fair value of derivatives	7	**250,613**	331,559
Subordinated debt	15	**1,504,072**	-
Other liabilities	16	**1,140,276**	886,948
Lease liabilities	11	**246,200**	193,740
Total liabilities		**39,102,991**	35,195,299
Equity			
Equity attributable to the shareholders of the Bank			
Share capital	17	**7,500,000**	7,500,000
Statutory reserve	18	**1,753**	1,753
Fair value reserve		**(2,482)**	16,163
Retained earnings / (accumulated losses)		**520**	(286,146)
Total equity attributable to the shareholders of the Bank		**7,499,791**	7,231,770
Total equity		**7,499,791**	7,231,770
Total liabilities and equity		**46,602,782**	42,427,069

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

Abdulla Mohammed Al Zamil	**Abdulaziz A. Al-Helaissi**	**Mazen Faisal Azoony**
Chairman	Chief Executive Officer	Chief Financial Officer

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

	Note	2023	2022
Special commission income	20	**2,638,973**	1,213,782
Special commission expense	20	**(1,728,643)**	(574,549)
Net special commission income		**910,330**	639,233
Fee and commission income	21	**306,666**	257,348
Fee and commission expense	21	**(19,132)**	(17,022)
Net fee and commission income		**287,534**	240,326
Exchange income, net	22	**76,771**	71,091
Gain / (loss) on investments held at FVSI, net	23	**57,245**	(1,987)
Gain on other financial instruments, net	24	**11,411**	26,788
Dividend income	25	**3,977**	11,552
Other income	26	**2,221**	11,378
Total operating income		**1,349,489**	998,381
Salaries and employees' related expenses	27	**(511,962)**	(426,898)
Rent and premises related expenses	28	**(12,608)**	(8,249)
Depreciation and amortisation	29	**(61,877)**	(60,763)
Other general and administrative expenses	30	**(304,652)**	(253,593)
Total operating expenses before expected credit losses		**(891,099)**	(749,503)
Expected credit losses on:			
Loans and advances	8	**(168,549)**	(92,496)
Financial contingencies and commitments	19	**(20,867)**	(3,142)
Investments	6	**(1,362)**	(174)
Total expected credit losses		**(190,778)**	(95,812)
Total operating expenses		**(1,081,877)**	(845,315)
Net income for the year before zakat		**267,612**	153,066
Zakat charge	31	**(47,136)**	(22,054)
Net income for the year		**220,476**	131,012
Earnings per share (expressed in SAR per share)			
Basic and diluted earnings per share		**0.294**	0.175

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

	Note	2023	2022
Net income for the year		**220,476**	131,012
Other comprehensive income / (loss)			
Items that will not be reclassified to the consolidated statement of income in subsequent periods:			
- Net change in fair value of FVOCI investments		**41,403**	(6,754)
- Re-measurement on defined benefit plans	16	**6,142**	(10,033)
Other comprehensive income / (loss) for the year		**47,545**	(16,787)
Total comprehensive income for the year		**268,021**	114,225

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

	Share capital	Statutory reserve	Fair value reserve	Retained earnings / (accumulated losses)	Total equity
Balance at 1 January 2023	**7,500,000**	**1,753**	**16,163**	**(286,146)**	**7,231,770**
Net income for the year	-	-	-	220,476	220,476
Other comprehensive income for the year					
Net change in fair value of FVOCI investments	-	-	41,403	-	41,403
Remeasurement of defined benefit plan	-	-	-	6,142	6,142
Total other comprehensive income for the year	-	-	41,403	6,142	47,545
Total comprehensive income for the year	-	-	41,403	226,618	268,021
Disposal of FVOCI equity investments	-	-	(60,048)	60,048	-
Balance at 31 December 2023	**7,500,000**	**1,753**	**(2,482)**	**520**	**7,499,791**

	Share capital	Statutory reserve	Fair value reserve	Accumulated losses	Total equity
Balance at 1 January 2022	7,500,000	1,753	22,917	(407,125)	7,117,545
Net income for the year	-	-	-	131,012	131,012
Other comprehensive loss for the year					
Net change in fair value of FVOCI investments	-	-	(6,754)	-	(6,754)
Remeasurement of defined benefit plan	-	-	-	(10,033)	(10,033)
Total other comprehensive loss for the year	-	-	(6,754)	(10,033)	(16,787)
Total comprehensive (loss) / income for the year	-	-	(6,754)	120,979	114,225
Balance at 31 December 2022	7,500,000	1,753	16,163	(286,146)	7,231,770

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023
(AMOUNTS IN SAR'000)

	Note	2023	2022
OPERATING ACTIVITIES			
Net income before zakat		**267,612**	153,066
Adjustments to reconcile net income before zakat to net cash flow (used in) / from operating activities:			
Accretion / amortisation relating to debt investments	20	**(354,116)**	(148,340)
Amortisation relating to subordinated debt	20	**4,072**	-
Depreciation of furniture, fixtures and equipment	10	**19,106**	21,817
Amortisation of intangible assets	12	**18,181**	14,193
Depreciation of right-of-use assets	11(a)	**24,590**	24,753
Interest expense on lease liabilities	11(b)	**13,010**	11,031
Expected credit losses on:			
Financial contingencies and commitments	19	**20,867**	3,142
Loans and advances	8	**168,549**	92,496
Investments held at amortised cost	6	**1,362**	174
(Gain) / loss on investments held at FVSI	23	**(57,245)**	1,987
Gain on other financial instruments, net	24	**(11,411)**	(26,788)
End of service benefits	16(i)	**16,381**	12,292
Operating income before changes in operating assets & liabilities		**130,958**	159,823
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(230,571)**	12,969
Due from banks and other financial institutions		**100**	(55)
Positive fair value of derivatives		**101,066**	(245,936)
Loans and advances		**(2,677,773)**	(1,308,313)
Other assets		**(9,245)**	(48,201)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**(331,831)**	1,861,125
Negative fair value of derivatives		**(69,535)**	108,883
Customers' deposits		**2,510,609**	2,358,550
Other liabilities		**203,892**	234,041
		(372,330)	3,132,886
Interest paid on lease liabilities	11(b)	**(13,010)**	(11,031)
Zakat paid		**(23,556)**	(23,178)
End of service benefits paid	16	**(5,250)**	(5,727)
Net cash (used in) / from operating activities		**(414,146)**	3,092,950
INVESTING ACTIVITIES			
Purchase of investments held at amortised cost		**(5,605,002)**	(11,767,228)
Matured investments held at amortised cost		**3,464,907**	10,987,840
Purchase of investments held at FVSI		**(25,000)**	(52,338)
Purchase of investments held at FVOCI		**-**	(3,750)
Proceeds from sale of investments held at FVOCI		**300,918**	-
Proceeds from sale of investments held at FVSI		**2,442**	52,338
Purchase of furniture, fixtures and equipment	10	**(26,233)**	(13,070)
Purchase of intangible assets	12	**(59,502)**	(25,221)
Net cash used in investing activities		**(1,947,470)**	(821,429)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

	Note	2023	2022
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	11(b)	**(20,777)**	(19,156)
Proceeds from issuance of subordinated debt		**1,500,000**	-
Net cash from / (used in) financing activities		**1,479,223**	(19,156)
Net change in cash and cash equivalents		**(882,393)**	2,252,365
Cash and cash equivalents at the beginning of the year		**8,110,176**	5,857,811
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32	**7,227,783**	8,110,176
Special Commission received during the year		**2,504,749**	1,037,484
Special Commission paid during the year		**(1,691,652)**	(324,079)
Supplemental non-cash information			
Right-of-use assets		**73,237**	11,451
Lease Liabilities		**73,237**	11,451
Net changes in fair value of FVOCI investments		**41,403**	(6,754)

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

1. GENERAL

Gulf International Bank – Saudi Arabia (a Closed Joint Stock Company - incorporated in the Kingdom of Saudi Arabia) (the "Bank") was formed after conversion from a foreign branch in accordance with Ministerial resolution number 2007 dated 14 March 2018G, corresponding to 26 Jumada Al-Thani 1439H, and SAMA approval number 391000082125 dated 9 April 2018G, corresponding to 23 Rajab 1439H.

The Bank commenced its operations as a Closed Joint Stock Company on 3 April 2019G, corresponding to 27 Rajab 1440H. The Bank operates under Commercial registration number 2052001920 through its three locations in Riyadh, Jeddah and Dhahran. The address of the Bank's Head Office is as follows:

Gulf International Bank – Saudi Arabia

5515 Cooperative Council Road

Al Khuzama Area, unit No: 54, Al Khobar

Kingdom of Saudi Arabia

The Bank's provides services related to wholesale, commercial, and retail banking. The Bank also provides to its customers Shariah-compliant products that are approved and supervised by an independent Shariah Board established by the Bank.

Following are the subsidiaries of the Bank (collectively referred to as "the Group").

	Ownership interest % held by the owners of the Bank		
Name of subsidiary	**2023**	2022	Country of incorporation
GIB Capital Company (a)	**100**	100	Kingdom of Saudi Arabia
Dar Enjaz Gulf Real Estate Company (b)	**100**	100	Kingdom of Saudi Arabia
GIB KSA Markets Limited (c)	**100**	100	Cayman Islands

a. GIB Capital Company - a limited liability company incorporated in Kingdom of Saudi Arabia under commercial registration no. 1010244294 provides financial advisory services in connection with equity placements, mergers, disposals and acquisitions, privatisations, debt capital market products and services, strategic debt advisory and asset management. GIB Capital's clients include institutional investors and high net worth ("HNW") individuals.

b. Incorporated in the Kingdom of Saudi Arabia under commercial registration no.1010326338, issued in Riyadh. The Subsidiary was formed with the approval of SAMA for the purpose of dealing, managing and holding real estate on behalf of the Bank.

c. A limited liability company incorporated in the Cayman Islands. The Company is engaged in derivatives trading and repo activities.

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements of the Group have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the Banking Control Law and the Regulations for Companies in the Kingdom of Saudi Arabia.

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management has assessed the impact of the New Companies Law on the Group and believe to be insignificant.

b) Basis of measurement and presentation

These consolidated financial statements are prepared on a going concern basis under the historical cost convention except for the measurement at fair value of derivatives, investments held at fair value through the statement of income (FVSI) and fair value through the statement of other comprehensive income (FVOCI) and defined benefit obligations. In addition, financial assets or liabilities that are hedged in a fair value hedging relationship, and otherwise adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated statement of financial position is presented in order of liquidity.

c) Going concern

The Group's management has performed an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue the business in the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, these consolidated financial statements continue to be prepared on a going concern basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(AMOUNTS IN SAR'000)

2. BASIS OF PREPARATION (continued)

d) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is the Bank's functional currency. Except as otherwise indicated, financial information presented in SAR has been rounded off to the nearest thousand.

e) Critical accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS that are endorsed in the KSA and other standards and pronouncements that are endorsed by SOCPA, requires the use of certain critical accounting judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Such judgements, estimates, and assumptions are continually evaluated and are based on historical experience and other factors, including obtaining professional advice and expectations of future events that are believed to be reasonable under the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets

Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of revision and in future periods if the revision affects both current and future periods. Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

i) Expected credit losses ("ECL") on financial assets

The measurement of ECL under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

a. The selection of an estimation technique or modelling methodology, covering below key judgements and assumptions:

- The Bank's internal credit grading model, which assigns Probability of Default (PD) to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

b. The selection of inputs for those models, and the interdependencies between those inputs such as macroeconomic scenarios and economic inputs.

ii) Fair value Measurement (Note 3m)

iii) Classification of Financial assets (3di)

iv) Determination of control over investees (3z)

v) Define benefit plan (3s)

vi) Government grant (3e)

vii) Acquisition of subsidiary (3b / 3c)

viii) Lease accounting (3q)

3. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these consolidated financial statements are set out below.

The material accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. The following accounting policies are applicable effective 1 January 2023 replacing, amending, or adding to the corresponding accounting policies set out in 2022 annual consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

New standards, interpretations and amendments adopted by the Group

Following standard, interpretation or amendment are effective from the annual reporting period beginning on 1 January 2023 from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

Standards, interpretations, amendments	Description	Effective date
IFRS 17, 'Insurance contracts'	This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts.	1 January 2023
Narrow scope amendments to IAS 1	Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction -	There amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023
Amendment to IAS 12 - International tax reform - pillar two model rules -	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.	1 January 2023

Accounting standards issued but not yet effective

Standards, interpretations, amendments	Description	Effective date
Amendment to IFRS 16 – Leases on sale and leaseback	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	1 January 2024
IFRS S1 & IFRS S2, 'General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from SOCPA
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

a. Basis of consolidation

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (as mentioned in note 1 collectively referred to as 'the Group'). The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries are investees controlled by the Group. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of its returns.

These control indicators are subject to management's judgement, and can have a significant effect in the case of the Group's interests in investment funds.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights granted by equity instruments such as shares.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of income from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interests;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in consolidated statement of income; and
- Reclassifies the parent's share of components previously recognised in OCI to consolidated statement of income or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in the subsidiaries and are presented separately in the consolidated statement of total comprehensive income and within equity in the consolidated statement of financial position, separately from the Bank's shareholders' equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests (if material) that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interests are subsequently adjusted for their share of changes in equity of the consolidated subsidiary after the date of acquisition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

a . Basis of consolidation (continued)

All intra-group balances, transactions, income, and expenses are eliminated in full in preparing these consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank. The consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed (if any) where necessary to align them with the policies adopted by the Group.

The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried interests and expected management fees) and the investors rights to remove the Fund Manager. As a result, the Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

b. Business combination under IFRS 3

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of statement of income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in statement of income.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amountsto be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants. A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

b . Business combination under IFRS 3 (continued)

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Bank elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs related to the acquisition are expenses as incurred. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized directly in the consolidated statement of income

Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment, they are written down if required.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IFRS 9, 'Financial Instruments'; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

c. Business combination under common controlled transactions

A 'business combination involving entities or businesses under common control' is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The acquirer in a common control transaction should use in its consolidated financial statements either the book value (carry-over basis) accounting on the basis that the investment has simply been moved from one part of the Group to another or IFRS 3 accounting on the basis that the acquirer is a separate entity in its own right and should not be confused with the economic group as a whole. The Group has adopted the book value as the basis of accounting for the investment in GIB Capital Company.

In applying book value accounting, an adjustment may be required in equity to reflect any difference between the consideration paid and the net assets of the acquiree. The following are possible approaches to recognising the adjustment:

- Reflect the adjustment in a capital account, called a 'merger' reserve or similar; or
- Reflect the adjustment in retained earnings.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group, the assets acquired and liabilities assumed are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, and any gain/loss arising is recognised directly in equity. Any consideration paid more than the net assets will directly be reflected in the retained earnings / (accumulated losses).

d. Financial instruments

i) Classification of financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through the statement of income ("FVSI").

Financial asset at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVSI:

a. The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

b. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

Financial asset at FVOCI

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVSI:

i) The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

d . Financial instruments (continued)

i) Classification of financial assets (continued)

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in the consolidated statement of income.

Equity instruments: On initial recognition, for an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an instrument-by-instrument (i.e. share-by-share) basis.

Financial asset at FVSI

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVSI.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVSI if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

ii) Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group change the classification of the remaining financial assets held in that business model.

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

Assessments whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Interest' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic lending costs (e.g. liquidity risk and administrative costs), along with profit margin.

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

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money- e.g. periodical reset of interest rates.

Designation at fair value through consolidated statement of income

At initial recognition, to eliminate or significantly reduces the accounting mismatch, the Group may irrevocably designate certain financial assets at FVSI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

d . Financial instruments (continued)

iii) Classification of financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the effective special commission rate ("ESCR").

iv) Derecognition

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial assets

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in consolidated statement of income.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-andrepurchase transactions, as the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and Rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognized if it meets the derecognition criteria. An asset or liability is recognized for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new financial asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in consolidated statement of income as part of the gain or loss on derecognition.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the consolidated statement of income. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as special commission income.

Financial liabilities

The Group derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in statement of income. If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in consolidated statement of income. For financial liabilities, the Group considers a modification to be substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten per cent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

d . Financial instruments (continued)

vi) Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVSI:
i) Financial assets that are debt instruments;

ii) Financial guarantee contracts issued; and

iii) Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

a. Debt investment securities that are determined to have low credit risk at the reporting date; and

b. Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired. Financial instruments for which the lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

When discounting future cash flows, the following discount rates are used:

- Financial assets other than purchased or originated credit-impaired (POCI) financial assets: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate
- Undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- Financial Guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset. If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition .This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective special commission rate of the existing financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

d . Financial instruments (continued)

vi) Impairment (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors:

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness;
- The country's ability to access the capital markets for new debt issuance;
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

POCI financial assets

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset. flows of the financial asset have occurred.

Credit cards and other revolving facilities

Group's product offering includes a variety of corporate and retail overdraft and credit cards facilities, in which the Group has the right to cancel and/or reduce the facilities with one day's notice. The Group does not limit its exposure expectations of customer behaviour, the likelihood of default and its future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on past experience and the Group's expectations, the period over which the Group calculates ECL for these products, is five years for corporate and seven years for retail products. The ongoing assessment of whether a significant increase in credit risk has occurred for revolving facilities is similar to other lending products. This is based on shifts in the customer's internal credit grade,but greater emphasis is also given to qualitative factors such as changes in usage.

The interest rate used to discount the ECL for credit cards is based on the average effective interest rate that is expected to be charged over the expected period of exposure to the facilities. This estimation takes into account that many facilities are repaid in full each month and are consequently not charged interest. The calculation of ECL, including the estimation of the expected period of exposure and discount rate is made, on an individual basis for corporate and on a collective basis for retail products.

The collective assessments are made separately for portfolios of facilities with similar credit risk characteristics.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

d . Financial instruments (continued)

vi) Impairment (continued)

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- Loan commitments and financial guarantee contracts: generally, as a provision.

Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to other income.

vii) Financial guarantees, letter of credits and loan commitments

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee

Loan commitments and letter of credits' are firm commitments under which, over the duration of the commitments, the Group is required to provide credit under pre-specified terms and conditions Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL is recorded.

Financial guarantees issued or commitments to provide loan at a below market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principle of ISFRS 15. Other loan commitments issued are measured at the sum of (i) the loss allowance determined in accordance with IFRS 9 and (ii) the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognized.

- The Group issued no loan commitment that are measured at FVSI.
- Liabilities arising from financial guarantees and loan commitments are included within provisions.

e. Government grant

The Group recognises a government grant related to income, if there is a reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of interest is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. Government grant is recognised in the consolidated statement of income on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grant is intended to compensate. The grant income is only recognised when the ultimate beneficiary is the Group. Where the customer is the ultimate beneficiary, the Group only records the respective receivable and payable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

f. Revenue / expense recognition

Special commission income and expense

Special commission income and expense are recognised in the consolidated statement of income using the effective special commission method. The 'effective special commission rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the amortised cost of the financial instrument.

When calculating the effective special commission rate for financial instruments other than credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective special commission rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective special commission rate includes transaction costs and fees and points paid or received that are an integral part of the effective special commission rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Measurement of amortised cost and special commission income

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective special commission method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

In calculating special commission income and expense, the effective special commission rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, special commission income is calculated by applying the effective special commission rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of special commission income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, special commission income is calculated by applying the credit-adjusted effective special commission rate to the amortised cost of the asset. The calculation of special commission income does not revert to a gross basis, even if the credit risk of the asset improves.

Exchange income / (loss)

Exchange income / (loss) is recognised as discussed in foreign currencies policy.

Fee and commission income

Fee and commission income and expense that is integral to the effective special commission rate on a financial asset or financial liability are included in special commission income / expense.

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Advisory service fees are recognised based on the applicable service contract, usually on a time proportionate basis as the services are performed. Advisory services where the underlying significant act is completed or instances for which no further activities are required to be done are considered fully earned.

Asset management fee income from mutual funds and discretionary portfolio management are recognised based on a fixed percentage of net assets value under management, subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group efforts to transfer these services. As asset management fees are not subject to refunds, management does not expect any reversal of revenue previously recognised.

Margin lending is a financing facility provided to existing customers to trade in the capital market. Special commission income is recognised based on customer utilisation of the margin lending financing facility at the applicable rates agreed in the contract with the customer. The special commission income is accrued daily on the outstanding balance at the effective special commission rate method.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023
(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

f. Revenue / expense recognition (continued)

Dividend income

Dividend income is recognised when the right to receive income is established. Dividends are reflected as a component of net trading income, net income from FVSI financial instruments or other operating income based on the underlying classification of the equity instrument.

Net trading income / (loss)

Net income from other financial instruments at FVSI relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships, financial assets and financial liabilities designated as at FVSI.

g. Sale and repurchase agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. These assets are continued to be measure in accordance with related accounting policies for investments held as FVSI, FVOCI, other investments held at amortised cost.

The transactions are treated as collateralised borrowing and counter-party liability for amounts received under these agreements is included in "cash and balances with Saudi Central Bank (SAMA)" or "due to banks and other financial institutions" or "customers' deposits", as appropriate. The difference between sale and repurchase price is treated as special commission expense and accrued over the life of the repo agreement on an effective special commission basis. Assets purchased with a corresponding commitment to resell at a specified future date (reverse repo) are not recognised in the consolidated statement of financial position, as the Group does not obtain control over the assets. Amounts paid under these agreements are included in "cash and balances with Saudi Central Bank (SAMA)", "due from banks and other financial institutions" or "loans and advances", as appropriate. The difference between purchase and resale price is treated as special commission income and accrued over the life of the reverse repo agreement on an effective special commission basis.

h. Settlement date accounting

All regular-way purchases and sales of financial assets are recognised and derecognised on the settlement date i.e. the date on which the asset is delivered to, or received from, the counterparty. The Group accounts for any changes in fair values between the trade date and the settlement date in the same way it accounts for the acquired asset. Regular-way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or convention in the marketplace.

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

i. Rendering of services

The Group provides various services to its customers. These services are either rendered separately or bundled together with rendering of other services.

The Group has concluded that revenue from rendering of various services related to share trading and fund management, trade finance, corporate finance and advisory and other banking services should be recognised at the point when services are rendered i.e. when performance obligation is satisfied. Whereas for free services related to credit card, the Group recognises revenue over the period of time.

j. Derivative financial instruments and hedge accounting

Derivative financial instruments, including foreign exchange contracts, commission rate futures, forward rate agreements, currency and commission rate swaps, currency and commission rate options (both written and purchased) are initially recognised at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value in the consolidated statement of financial position with transaction costs recognised in the consolidated statement of income. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models as appropriate.

The treatment of changes in their fair value depends on their classification into the following categories:

i) Derivatives held for trading

Any changes in the fair value of derivatives that are held for trading purposes are taken directly to the consolidated statement of income and disclosed in gain / (loss) on FVSI Financial Instruments, net. Derivatives held for trading also include those derivatives which do not qualify for hedge accounting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

j. Derivative financial instruments and hedge accounting (continued)

ii) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- The host contract is not an asset in the scope of IFRS 9;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value with all changes in fair value recognised in the consolidated statement of income unless they form part of a qualifying cash flow or net investment hedging relationship.

For financial assets, the requirements are whether the financial asset contains contractual terms that give rise on specified dates to cashflows that are SPPI, and consequently the accounting of embedded derivatives are not applicable to financial assets.

iii) Hedge accounting

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and credit risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

For the purpose of hedge accounting, hedges are classified into two categories: (a) fair value hedges which hedge the exposure to changes in the fair value of a recognised asset or liability, (or assets or liabilities in case of portfolio hedging), or an unrecognised firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the reported net gain or loss; and (b) cash flow hedges which hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or to a highly probable forecasted transaction that will affect the reported net gain or loss.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective, i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy are documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an on-going basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument in a range of 80% to 125% and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the statement of income in 'Net trading income'. For situations where the hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of income

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect the consolidated statement of income, any gain or loss from re-measuring the hedging instruments to fair value is recognised immediately in the consolidated statement of income together with change in the fair value of the hedged item attributable to the hedged risk under non-trading gains / losses in the consolidated statement of income.

For hedged items measured at amortised cost, where the fair value hedge of a commission bearing financial instrument ceases to meet the criteria for hedge accounting or is sold, exercised or terminated, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective special commission rate method, (the hedge item is also fair-valued). If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated statement of income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

j. Derivative financial instruments and hedge accounting (continued)

iii) Hedge accounting (continued)

Micro fair value hedges

A fair value hedge relationship is a 'Micro fair value hedge' when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a micro fair value hedge relationship include fixed rate corporate and small business loans, fixed rate debt instruments at FVOCI and fixed rate issued long-term deposits. These hedge relationships are assessed for prospective and retrospective hedge effectiveness on a monthly basis. If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement. For fair value hedge relationships where the hedged item is not measured at amortised cost, such as debt instruments at FVOCI, changes in fair value that were recorded in the income statement whilst hedge accounting was in place are amortised in a similar way to amortised cost instruments using the EIR method. However, as these instruments are measured at their fair values in the statement of financial position, the fair value hedge adjustments are transferred from the income statement to OCI. There were no such instances in either the current year or in the comparative year.

Portfolio (macro) fair value hedges

The Group applies macro fair value hedging to its fixed rate mortgages. The Group determines hedged items by identifying portfolios of homogenous loans based on their contractual interest rates, maturity and other risk characteristics. Loans within the Identified portfolios are allocated to repricing time buckets based on expected, rather than contractual, repricing dates. The hedging instruments (pay fix/receive floating rate interest rate swaps) are designated appropriately to those repricing time buckets. Hedge effectiveness is measured on a monthly basis, by comparing fair value movements of the designated proportion of the bucketed loans due to the hedged risk, against the fair value movements of the derivatives, to ensure that they are within an 80% to 125% range. The aggregated fair value changes in the hedged loans are recognised as an asset in the Fair value hedge accounting adjustment on the face of the Statement of financial position. Should hedge effectiveness testing highlight that movements for a particular bucket fall outside the 80-125% range (i.e., the hedge relationship was ineffective for the period), no fair value hedge accounting adjustment is recorded for that month for that particular bucket. Regardless of the results of the retrospective hedge effectiveness testing, at the end of every month, in order to minimise the ineffectiveness from early repayments and accommodate new exposures, the Group voluntarily de-designates the hedge relationships and re-designates them as new hedges. At de-designation, the fair value hedge accounting adjustments are amortised on a straight-line basis over the original hedged life. The Group has elected to commence amortisation at the date of de-designation. IBOR reform Phase 2 provide relief for items within a designated group of items such as those forming part of the Group's macro fair value hedging strategy, that are amended as a result of IBOR reform. The reliefs allow the Group's hedging strategy to remain and not be discontinued. As items within the hedged group transition at different times from IBORs to RFRs, the Group transfers them to sub-groups of instruments that reference RFRs as the hedged risk.

Cash flow hedges

For designated and qualifying cash flow hedging, derivatives instruments in a hedge of a variability in cash flows attributable to a particular risk associated with recognised asset or a liability or a highly probable forecast transaction that could affect the statement of income, the portion of the gain or loss on the hedging instrument that is determined to be an effective portion is recognised directly in other comprehensive income and the ineffective portion, if any, is recognised in the (consolidated) statement of income. For cash flow hedges affecting future transactions, the gains or losses recognised in other reserves, are transferred to the (consolidated) statement of income in the same period in which the hedged item affects the (consolidated) statement of income. However, if the Group expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify into the statement of income as a reclassification adjustment the amount that is not to be recognized.

Where the hedged forecasted transaction results in the recognition of a non- financial asset or a non-financial liability, then at the time such asset or liability is recognised the associated gains or losses that had previously been recognised directly in other comprehensive income are included in the initial measurement of the acquisition cost or other carrying amount of such asset or liability. When the hedging instrument is expired or sold, terminated, or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur, or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognised in other comprehensive income from the period when the hedge was effective is transferred from equity to statement of income when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affects the statement of income, the net cumulative gain or loss recognised in "other comprehensive income" is transferred immediately to the (consolidated) statement of income for the period.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

k. Foreign currencies

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or statement of income are also recognised in OCI or statement of income, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non- monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

The Group's consolidated financial statements are presented in Saudi Arabian Riyals, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Saudi Arabian Riyals at the spot rates prevailing at transaction dates. Monetary assets and liabilities at year-end, denominated in foreign currencies, are translated into Saudi Arabian Riyals at rates of exchange prevailing at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year adjusted for the effective special commission rate and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. All differences arising on non-trading activities are taken to other non-operating income in the consolidated statement of income.

l. Offsetting financial instruments

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

Income and expenses are not offset in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

m. Fair value measurement

The Group measures financial instruments, such as, derivatives and equity instruments and non-financial assets, at fair value at each consolidated statement of financial position date. Also, fair values of financial instruments measured at amortised cost are disclosed in note 36.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

m. Fair value measurement (continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's investment committee determines the policies and procedures for both recurring fair value measurement, such as unquoted FVOCI financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation. The investment committee comprises of the senior management committee members.

Expert judgement is involved for valuation of significant assets, such FVOCI financial assets, and significant liabilities, such as contingent consideration. Involvement of experts is decided upon annually by the investment committee after discussion with and approval by the Group's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The investment committee decides, after discussions with the experts, which valuation techniques and inputs to use for each case.

At each reporting date, the investment committee analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the investment committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The investment committee, in conjunction with the Group's experts, also compares each of the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Collateral valuation

To mitigate its credit risks on financial assets, the Group seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements.The Group's accounting policy for collateral assigned to it through its lending arrangements under IFRS 9. Collateral, unless repossessed, is not recorded on the Group's consolidated statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a periodic basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Group uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers or based on housing price indices.

Collateral repossessed

The Group's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold.

Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Group's policy.

In its normal course of business, the Group does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the consolidated statement of financial position.

n. Furniture, fixtures and equipment

Furniture, fixtures and equipment are measured at cost less accumulated depreciation and accumulated impairment loss. Changes in the expected useful life are accounted for by changing the period or method, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits of the expenditure will flow to the Group. On-going repairs and maintenance are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

n. Furniture, fixtures and equipment (continued)

The cost of furniture, fixtures and equipment is depreciated on the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	Ten years or over the period of lease, whichever is the shorter.
Furniture and equipment	Four to five years

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of income.

All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

o. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Group does not have any intangible assets with indefinite useful lives.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income.

p. Provisions

Provisions are recognised when a reliable estimate can be made by the Group for a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation.

The Group receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process being followed as per law.

q. Accounting for leases

On initial recognition, at inception of the contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is identified if most of the benefits are flowing to the Group and the Group can direct the usage of such assets.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

q. Accounting for leases (continued)

Right-of-use assets

The Group applies the cost model, and measure Right-of-Use (RoU) asset at cost; less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability for lease modifications.

Generally, RoU asset would be equal to the lease liability. However, if there are additional costs such as site preparation, non-refundable deposits, application money, other expenses related to transaction etc. need to be added to the RoU asset value. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment.

Lease liability

On initial recognition, the lease liability is the present value of all remaining payments to the lessor, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

After the commencement date, Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and; re-measuring the carrying amount to reflect any re-assessment or lease modification.

The lease liability is measured at amortised cost using the effective special commission method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the consolidated statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

r. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, "cash and cash equivalents" include notes and coins on hand, balances with SAMA excluding statutory deposits, and due from banks and other financial institutions with original maturity of three months or less which are subject to insignificant risk of changes in their fair value.

s. End of service benefits (defined benefit plan)

The Group operates a non-funded employee terminal benefit plan, which is classified as a defined benefit obligation under IAS 19 'Employee Benefits'. A defined benefit plan is a plan which is not a defined contribution plan. The liability recognised in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets at that date.

The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows using market yields at the end of the reporting period of high-quality corporate bonds that have terms to maturity approximating to the estimated term of the post-employment benefit obligations. Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognised in equity through the consolidated statement of comprehensive income in the period in which they arise.

t. Short term employee benefits

Short term employee benefits are measured on an undiscounted basis and is expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

u. Zakat

The Group is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat expense is charged to the statement of income. Zakat is not accounted for as income tax and as such no deferred tax is calculated relating to zakat.

v. Value added tax ("VAT") and withholding tax

The Group collects VAT from its customers for qualifying services provided and makes VAT payments to its vendors for qualifying payments. On a monthly basis, net VAT remittances are made to the ZATCA representing VAT collected from its customers, net of any recoverable VAT on payments. Unrecoverable VAT is borne by the Group and is either expensed or in the case of property, equipment, and intangibles payments, is capitalized and either depreciated or amortized as part of the capital cost

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia, as required under Saudi Arabian Income Tax Law.

w. Investment management services

The Group offers investment services to its customers, through its subsidiary, which include management of certain investment funds in consultation with investment advisors. Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in the consolidated financial statements.

x. Customer loyalty program

The Group offers customer loyalty program (reward points / air miles herein referred to as "reward points"), which allows card members to earn points that can be redeemed from certain partners outlets. The Group allocates a portion of transaction price (interchange fee) to the reward points awarded to card members, based on the relative standalone selling price. The amount of revenue allocated to reward points is deferred and released to the consolidated statement of income when reward points are redeemed. The cumulative amount of contract liability related unredeemed reward points is adjusted over time based on actual experience and current trends with respect to redemption.

y. Islamic banking products

In addition to the conventional banking, the Group offers its customers certain Islamic banking products, which are approved by its Shariah Board, as follows:

High level definitions of Islamic products

(i) Murabaha is an agreement whereby the Group sells to a customer a commodity or an asset, which the Group has purchased and acquired based on a promise received from the customer to buy. The selling price comprises the cost plus an agreed profit margin.

(ii) Tawaraq is a form of Murabaha transactions where the Group purchases a commodity and sells it to the customer. The customer sells the underlying commodity at spot and uses the proceeds for his financing requirements.

(iii) Istisna'a is an agreement between the Bank and a customer whereby the Bank sells to the customer a developed asset according to agreed upon specifications, for an agreed upon price.

(iv) Ijarah is a an agreement whereby the Group, acting as a lessor, purchases or constructs an asset for lease according to the customer request (lessee), based on his promise to lease the asset for an agreed rent and specific period that could end by transferring the ownership of the leased asset to the lessee.

These non-commission-based banking products are included in "loans and advances" and are in conformity with the related accounting policies described in these consolidated financial statements.

z. Determination of control over investees

The control indicators are subject to management's judgements, and can have a significant effect in the case of the Group's interests in investments funds. The Group acts as Fund Manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the Fund (comprising any carried profits and expected management fees) and the investor's rights to remove the Fund Manager. The Group has concluded that it acts as an agent for the investors in all cases, and therefore has not consolidated these funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

aa. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where the Bank purchases the Bank's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Bank as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Bank.

Shares held by the Bank are disclosed as treasury shares and deducted from contributed equity

ab. Deposits, debt securities issued and subordinated liabilities

When the Bank designates a financial liability as at FVSI, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve. On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in statement of income. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on statement of income of expected changes in fair value of the related instruments.

ac. Profit sharing investment account (PSIA)

The Bank offers Unrestricted and Restricted Investment Accounts based on fully sharia compliant concept.

In Mudaraba, the Bank (Mudarib) manages Investment Account Funds (IAH) along with its own share of investment, to an unrestricted joint investment pool. Funds from this unrestricted joint investment pool are utilized to provide financing to customers under Islamic modes and to invest in other Sharia compliant investments opportunities. Such information is available for all customers at Bank's website, branches, and call center.

Under Wakala arrangement, Bank accepts funds from investors as Wakeel and invests in Sharia compliant assets. Wakeel is entitled to a fixed fee as a lump sum or percentage of fund provided. Expected profit payout is mentioned to investors upfront while any return generated in excess of expected profit is retained by the Bank as Wakeel. Wakeel should bear the loss in case of Wakeel's default, negligence or violation of any terms and conditions of the Wakala agreement, otherwise the loss would be borne by the investor or Muwakil.

The Bank maintains necessary reserves as required by SAMA.

Any profits accrued out of the investment are shared between the two parties on a pre-agreed basis, while loss (if any) is borne by the Investor (Rab-ul-Maal). Operating expenses incurred by the Bank are not charged to investment account. In case of the loss resulting from the transactions in a jointly financed investment, such loss shall first be deducted from undistributed profits, if any. Any excess of such loss shall be deducted from Investment Risk Reserve (IRR). Any remaining of such loss shall be deducted from the total balance of fund available in the pool, as at that date, in the respective ratio of the Bank's and IAH's respective contribution to the fund.

The investment risk reserve is deducted from customer's share after allocating the Mudarib share of profit as per the approved policy in order to cater against future losses of equity of unrestricted investment accountholders. Investment risk reserve will revert to the investment accountholders as per terms and conditions of Mudaraba contract.

The profit equalization reserve is the amount the bank appropriates in excess of the profit to be distributed to equity of unrestricted accountholders before allocating the Mudarib share of income to maintain a certain level of return. Profit equalization reserve will revert to owner equity and unrestricted investment accountholders.

Unrestricted investment accountholders are commingled with Bank funds for investment, no priority is granted to any party for the purpose of investments and distribution of profits. The administration expenses are only charged on the Bank expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

3. MATERIAL ACCOUNTING POLICIES (continued)

ad. Interest rate benchmark reform

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, then the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequences of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

When the changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

4. CASH AND BALANCES WITH SAUDI CENTRAL BANK (SAMA)

	Note	2023	2022
Money market placement with SAMA	4.1	**4,873,000**	3,587,000
Statutory deposits	4.2	**1,775,123**	1,544,552
Cash in hand		**15,693**	15,784
Current account		**3,681**	3,490
		6,667,497	5,150,826

4.1 Money market placement with SAMA represents overnight reverse repo placement with SAMA that mature on 1 January 2024 (2022: 1 January 2023).

4.2 In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customer demand, savings, time and other deposits liabilities, calculated at the end of each month. The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents (note 32), when preparing the consolidated statement of cash flows.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS, NET

	2023	2022
Current accounts	**186,733**	1,422,571
Money market placements	**2,178,676**	3,111,431
	2,365,409	4,534,002
The above includes Shariah based balances as below:		
Murabaha placements	**300,047**	-

The credit quality of due from banks and other financial institutions is assessed using external credit rating agencies. The above due from banks and other financial institutions balances are neither past due nor impaired. Due from Banks and other financial institutions only includes balances with investment grade Banks and the expected credit losses are not material, therefore not disclosed separately.

6. INVESTMENTS, NET

a) Investment securities are classified as follows:

	Note	2023	2022
Investments held at amortised cost - gross	(6g)	**8,788,433**	6,294,222
Less: expected credit losses	(6h)	**(2,597)**	(1,235)
Investments held at amortised cost - net		**8,785,836**	6,292,987
Investments held at FVSI	(6e)	**282,806**	203,003
Investments held at FVOCI	(6f)	**36,897**	296,412
		9,105,539	6,792,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

6. INVESTMENTS, NET (continued)

b) Investment securities include Shariah based investments as follows:

	2023	2022
Investments held at amortised cost - Sukuk	**5,069,999**	4,590,429
Investments held at FVSI - Mutual funds	**142,587**	89,017
Investments held at FVOCI	**26,565**	289,529
Less: expected credit losses	**(1,900)**	(901)
	5,237,251	4,968,074

c) The analysis of investments by counterparty is as follows:

	2023	2022
Government and quasi government	**7,713,842**	5,485,459
Corporate	**690,885**	925,709
Banks and other financial institutions	**703,409**	382,469
Less: expected credit losses	**(2,597)**	(1,235)
	9,105,539	6,792,402

d) The analysis of the composition of investments is as follows

	2023			2022		
	Quoted	**Unquoted**	**Total**	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	**5,157,715**	**3,302,081**	**8,459,796**	4,153,915	1,730,043	5,883,958
Debt securities - floating-rate securities	**253,366**	**75,271**	**328,637**	335,014	75,250	410,264
Less: expected credit losses	**(1,965)**	**(632)**	**(2,597)**	(1,162)	(73)	(1,235)
Equities	**51,452**	**10,332**	**61,784**	319,900	-	319,900
Mutual Funds	**257,919**	**-**	**257,919**	179,515	-	179,515
	5,718,487	**3,387,052**	**9,105,539**	4,987,182	1,805,220	6,792,402

e) Investments held at fair value through statement of income (FVSI)

	2023	2022
Mutual funds	**257,919**	179,515
Equity investments	**24,887**	23,488
	282,806	203,003

f) Investments held at fair value through other comprehensive income (FVOCI)

	2023	2022
Equity investments	**36,897**	296,412

The FVOCI designation was made on the basis that the investments are expected to be held for the long-term for strategic purposes. During the year ended 31 December 2023, the Group disposed of certain investments measured at FVOCI and realised a total gain of SAR 60 million which has been transferred within the equity. These equity securities were disposed of due to a strategic decision by the investment committee.

The Following table shows the reconciliation from opening balances to the closing balances for level 3 fair value of FVOCI investments.

	2023	2022
Balance at 1 January	**6,883**	6,098
Further investments made	**-**	3,750
Net change in fair value	**3,449**	(2,965)
Balance at 31 December	**10,332**	6,883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(AMOUNTS IN SAR'000)

6. INVESTMENTS, NET (continued)

g) The following table shows reconciliations of gross carrying amount from the opening to the closing balance of the investments held at amortised cost:

31 December 2023	**Stage 1 (12-month ECL)**	**Total**
Balance at 1 January	**6,294,222**	**6,294,222**
Net change	**2,494,211**	**2,494,211**
Balance at 31 December	**8,788,433**	**8,788,433**

31 December 2022	Stage 1 (12-month ECL)	Total
Balance at 1 January	5,362,744	5,362,744
Net change	931,478	931,478
Balance at 31 December	6,294,222	6,294,222

h) The following table shows reconciliation of expected credit losses on investments held at amortised cost from the opening to the closing balance:

31 December 2023	**Stage 1 (12-month ECL)**	**Total**
Balance at 1 January	**1,235**	**1,235**
Net remeasurement of loss allowance	**1,362**	**1,362**
Balance at 31 December	**2,597**	**2,597**

31 December 2022	Stage 1 (12-month ECL)	Total
Balance at 1 January	1,061	1,061
Net remeasurement of loss allowance	174	174
Balance at 31 December	1,235	1,235

i) The following table shows the credit quality of the investments held at amortised cost:

31 December 2023	**Stage 1 (12-month ECL)**	**Total**
Grades 1-4 : low risk	**8,788,433**	**8,788,433**
	8,788,433	**8,788,433**

31 December 2023	Stage 1 (12-month ECL)	Total
Grades 1-4 : low risk	6,294,222	6,294,222
	6,294,222	6,294,222

j) Investments composition as per geography:

	2023			2022		
	Domestic	**International**	**Total**	Domestic	International	Total
Investments held at amortised cost	**8,671,065**	**114,771**	**8,785,836**	6,204,987	88,000	6,292,987
Investments held at FVIS	**282,806**	**-**	**282,806**	203,003	-	203,003
Investments held at FVOCI	**36,897**	**-**	**36,897**	296,412	-	296,412
	8,990,768	**114,771**	**9,105,539**	6,704,402	88,000	6,792,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(AMOUNTS IN SAR'000)

7. DERIVATIVES

In the ordinary course of business, the Group utilises the following derivative financial instruments for both trading and hedging purposes:

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For cross-currency commission rate swaps, principal, fixed and floating commission payments are exchanged in different currencies.

b) Forwards and futures

Forwards and futures are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts transacted in the over-the-counter markets. Foreign currency and commission rate futures are transacted in standardized amounts on regulated exchanges and changes in futures contract values are settled daily.

c) Forward rate agreements

Forward rate agreements are individually negotiated commission rate contracts that call for a cash settlement for the difference between a contracted commission rate and the market rate on a specified future date, on a notional principal for an agreed period of time.

d) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for trading purposes

Most of the Group's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting from price differentials between markets or products.

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposure to fluctuations in foreign exchange and commission rates to reduce its exposure to currency and commission rate risks to acceptable levels as determined by the Board of Directors and within the guidelines issued by SAMA.

The Board of Directors has established levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits. The Board of Directors has established the level of commission rate risk by setting limits on commission rate gaps for stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis and hedging strategies are used to reduce commission rate gap within the established limits.

As part of its asset and liability management the, Group uses derivatives for hedging purposes in order to adjust its own exposure to commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures.

The Group uses forward foreign exchange contracts and currency swaps to hedge against specifically identified currency risks. In addition, the Group uses commission rate swaps and commission rate futures to hedge against the commission rate risk arising from specifically identified fixed commission-rate exposures.

The Group also uses commission rate swaps to hedge against the cash flow risk arising on certain floating rate exposures. In all such cases, the hedging relationship and objective, including details of the hedged items and hedging instrument are formally documented and the transactions are accounted for as fair value hedges.

The tables below summarise the positive and negative fair values of derivative financial instruments, together with the notional amounts, analysed by the term to maturity and monthly average. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the year-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

7. DERIVATIVES (continued)

31 December 2023

Derivative financial instruments	**Positive fair value**	**Negative fair value**	**Notional amount**
Held for trading			
Commission rate swaps	**104,874**	**(98,294)**	**4,963,381**
Commission rate futures and currency options	**121,012**	**(121,012)**	**13,590,469**
Forward foreign exchange contracts	**6,672**	**(5,700)**	**614,661**
Others	**24,147**	**(23,967)**	**361,406**
Held as fair value hedges			
Commission rate swaps - investments	**34,074**	**(1,640)**	**686,256**
Commission rate swaps - loans	**25,635**	**-**	**748,949**
	316,414	**(250,613)**	**20,965,122**

31 December 2022 Derivative financial instruments	Positive fair value	Negative fair value	Notional amount
Held for trading			
Commission rate swaps	177,232	(172,954)	10,145,434
Commission rate futures and currency options	136,765	(136,851)	7,635,631
Forward foreign exchange contracts	16,202	(15,393)	629,019
Others	4,037	(3,835)	329,413
Held as fair value hedges			
Commission rate swaps - investments	43,320	(87)	477,073
Commission rate swaps - loans	33,262	-	817,813
Commission rate swaps - deposits	6,662	(2,439)	999,586
	417,480	(331,559)	21,033,969

31 December 2023 Derivative financial instruments	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Held for trading					
Commission rate swaps	**-**	**-**	**3,113,413**	**1,849,968**	**4,963,381**
Commission rate futures and currency options	**-**	**888,269**	**9,378,572**	**3,323,628**	**13,590,469**
Forward foreign exchange contracts	**399,021**	**215,640**	**-**	**-**	**614,661**
Others	**257,561**	**43,844**	**60,001**	**-**	**361,406**
Held as fair value hedges					
Commission rate swaps - investments	**-**	**-**	**37,500**	**648,756**	**686,256**
Commission rate swaps - loans	**-**	**-**	**374,389**	**374,560**	**748,949**
	656,582	**1,147,753**	**12,963,875**	**6,196,912**	**20,965,122**

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(AMOUNTS IN SAR'000)

7. DERIVATIVES (continued)

31 December 2022 Derivative financial instruments	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Held for trading					
Commission rate swaps	-	-	3,430,048	6,715,386	10,145,434
Commission rate futures and currency options	904,756	-	5,606,875	1,124,000	7,635,631
Forward foreign exchange contracts	1,990	627,029	-	-	629,019
Others	269,309	-	60,104	-	329,413
Held as fair value hedges					
Commission rate swaps - investments	-	-	146,503	330,570	477,073
Commission rate swaps - loans	-	-	442,609	375,204	817,813
Commission rate swaps - deposits	-	401,837	597,749	-	999,586
	1,176,055	1,028,866	10,283,888	8,545,160	21,033,969

The table below shows a summary of hedged items and portfolios, the nature of the risk being hedged, the hedging instrument and its fair value.

31 December 2023 **Hedged items**	**Adjustments in the carrying amount of the hedge items**	**Notional amount of hedge item and instrument**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Investments at amortised cost	**32,434**	**686,256**	**Commission rate swap**	**34,074**	**(1,640)**
Loans at amortised cost	**25,635**	**748,949**	**Commission rate swap**	**25,635**	**-**

31 December 2022 Hedged items	Adjustments in the carrying amount of the hedge items	Notional amount of hedge item and instrument	Hedging instrument	Positive fair value	Negative fair value
Investments at amortised cost	43,233	477,073	Commission rate swap	43,320	(87)
Loans at amortised cost	33,262	817,813	Commission rate swap	33,262	-
Deposits	4,223	999,586	Commission rate swap	6,662	(2,439)

Approximately 58% (2022: 62%) of the positive fair value of the Group's derivatives are entered into with financial institutions and 42% (2022: 38%) of the positive fair value contracts are with non-financial institutions counterparties at the reporting date. Approximately 51% (2022: 75%) of the negative fair value of the Group's derivatives are entered into with financial institutions and 49% (2022: 25%) of the negative fair value contracts are with non-financial institutions counterparties at the reporting date. Derivative activities are mainly carried out under the Bank's treasury banking segment.

The Group, as part of its derivative management activities, has entered into a master agreement in accordance with the International Swaps and Derivatives Association (ISDA) directives. Under this agreement, the terms and conditions for derivative products purchased or sold by the Group are unified. As part of the master agreement, a Credit Support Annex (CSA) has also been signed. The CSA allows the Group to receive improved pricing by way of exchange of mark to market amounts in cash as collateral whether in favor of the Group or the counter party.

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(AMOUNTS IN SAR'000)

7. DERIVATIVES (continued)

For commission rate swaps entered into with European counterparties, the Group, and the European counterparty both comply with the European Market Infrastructure Regulation (EMIR). EMIR is a body of European legislation for the central clearing and regulation of Over-the-Counter (OTC) derivatives. The regulation includes requirements for reporting of derivatives' contracts and implementation of risk management standards and establishes common rules for central counterparties and trade repositories. Accordingly, all such standardized OTC derivatives contracts are traded on exchanges and cleared through a Central Counter Party (CCP) through netting arrangements and exchanges of cash to reduce counter party credit and liquidity risk.

The positive and negative fair values of derivatives including CSA and EMIR cash margins have been netted/offset when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the assets and settle the liability simultaneously.

The Bank execute all the derivatives with counterparties with a back to back transaction with the Parent, the management believe that hedging relationships are effective and portfolios are hedged rather than individual transaction level.

8. LOANS AND ADVANCES, NET

a) The analysis of loans and advances is as follows:

31 December 2023	**Commercial loans**	**Overdrafts**	**Retail loans**	**Total**
Performing loans and advances	**24,699,210**	**1,525,814**	**1,156,880**	**27,381,904**
Non-performing loans and advances	**564,824**	**-**	**26,472**	**591,296**
Loans and advances, gross	**25,264,034**	**1,525,814**	**1,183,352**	**27,973,200**
Less: allowance for expected credit losses	**(632,018)**	**(751)**	**(40,470)**	**(673,239)**
Loans and advances, net	**24,632,016**	**1,525,063**	**1,142,882**	**27,299,961**

31 December 2022	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	21,632,155	1,837,919	1,329,765	24,799,839
Non-performing loans and advances	623,290	-	8,210	631,500
Loans and advances, gross	22,255,445	1,837,919	1,337,975	25,431,339
Less: allowance for expected credit losses	(612,668)	(1,059)	(26,875)	(640,602)
Loans and advances, net	21,642,777	1,836,860	1,311,100	24,790,737

b) Reconciliation of gross carrying amount:

31 December 2023	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Balance at 1 January 2023	**23,858,497**	**941,342**	**631,500**	**25,431,339**
Transfers during the year				
Transfer to Stage 1	**440,602**	**(440,602)**	**-**	**-**
Transfer to Stage 2	**(735,244)**	**735,244**	**-**	**-**
Transfer to Stage 3	**(4,019)**	**(46,421)**	**50,440**	**-**
	(298,661)	**248,221**	**50,440**	**-**
Written-off during the year	**-**	**-**	**(135,915)**	**(135,915)**
Net change during the year	**2,802,459**	**(169,954)**	**45,271**	**2,677,776**
Balance at 31 December 2023	**26,362,295**	**1,019,609**	**591,296**	**27,973,200**

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8. LOANS AND ADVANCES, NET (continued)

b) Reconciliation of gross carrying amount: (continued)

31 December 2022	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	22,349,026	1,204,609	578,072	24,131,707
Transfers during the year				
Transfer to Stage 1	57,932	(57,932)	-	-
Transfer to Stage 2	(2,233)	2,233	-	-
Transfer to Stage 3	(2,462)	(34,548)	37,010	-
	53,237	(90,247)	37,010	-
Written-off during the year	-	-	(8,681)	(8,681)
Net change during the year	1,456,234	(173,020)	25,099	1,308,313
Balance at 31 December 2022	23,858,497	941,342	631,500	25,431,339

c) Reconciliation of expected credit losses:

31 December 2023	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Balance at 1 January 2023	**76,354**	**148,430**	**415,818**	**640,602**
Transfers during the year				
Transfer to Stage 1	**13,134**	**(13,134)**	**-**	**-**
Transfer to Stage 2	**(2,795)**	**2,795**	**-**	**-**
Transfer to Stage 3	**(59)**	**(29,818)**	**29,877**	**-**
	10,280	**(40,157)**	**29,877**	**-**
Charge/(reversal) during the year				
Corporate	**980**	**65,864**	**59,788**	**126,632**
Retail	**3,792**	**(645)**	**38,770**	**41,917**
	4,772	**65,219**	**98,558**	**168,549**
Written-off during the year				
Corporate	**-**	**-**	**(107,530)**	**(107,530)**
Retail	**-**	**-**	**(28,382)**	**(28,382)**
	-	**-**	**(135,912)**	**(135,912)**
Balance at 31 December 2023	**91,406**	**173,492**	**408,341**	**673,239**

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FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

8. LOANS AND ADVANCES, NET (continued)

c) Reconciliation of expected credit losses: (continued)

31 December 2022	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	61,364	171,311	324,112	556,787
Transfers during the year				
Transfer to Stage 1	982	(982)	-	-
Transfer to Stage 2	(28)	28	-	-
Transfer to Stage 3	(39)	(7,725)	7,764	-
	915	(8,679)	7,764	-
Charge/(reversal) during the year				
Corporate	13,337	(14,082)	77,534	76,789
Retail	738	(120)	15,089	15,707
	14,075	(14,202)	92,623	92,496
Written-off during the year				
Corporate	-	-	-	-
Retail	-	-	(8,681)	(8,681)
	-	-	(8,681)	(8,681)
Balance at 31 December 2022	76,354	148,430	415,818	640,602

d) Expected credit losses for the year:

	2023	2022
Corporate	**126,632**	76,789
Retail	**41,917**	15,707
Total	**168,549**	92,496

e) Details of Shariah based loans and advances:

	2023	2022
Corporate loans	**15,038,744**	14,735,946
Less: allowance for expected credit losses	**(406,850)**	(323,220)
	14,631,894	14,412,726
Credit cards	**95,471**	26,150
Less: allowance for expected credit losses	**(4,447)**	(1,059)
	91,024	25,091
Personal finance and others	**1,087,881**	1,311,825
Less: allowance for expected credit losses	**(36,026)**	(25,816)
	1,051,855	1,286,009

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8. LOANS AND ADVANCES, NET (continued)

f) Credit quality of gross loans and advances:

31 December 2023	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Grades 1-4: Low risk	20,505,428	-	-	20,505,428
Grades 5-7: Fair / Moderate risk *	5,856,867	1,019,609	-	6,876,476
Grade 8: Substandard	-	-	80,781	80,781
Grade 9: Doubtful	-	-	486,635	486,635
Grade 10: Loss	-	-	23,880	23,880
	26,362,295	1,019,609	591,296	27,973,200

31 December 2022	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Grades 1-4: Low risk	19,238,750	-	-	19,238,750
Grades 5-7: Fair / Moderate risk *	4,619,747	941,342	-	5,561,089
Grade 8: Substandard	-	-	144,833	144,833
Grade 9: Doubtful	-	-	447,147	447,147
Grade 10: Loss	-	-	39,520	39,520
	23,858,497	941,342	631,500	25,431,339

* Grades 5-7: Fair / Moderate risk: These includes customers under Watch list.

g) Economic sector risk concentration for the loans and advances:

31 December 2023	Performing loans and advances	Non-performing loans and advances	Loans and advances, gross	Allowance for expected credit losses	Loans and advances, net
Trading and Services	5,418,163	149,085	5,567,248	(195,161)	5,372,087
Financial Services	3,607,489	-	3,607,489	(5,815)	3,601,674
Energy, Oil and Petrochemical	3,510,708	2,835	3,513,543	(19,288)	3,494,255
Manufacturing	3,174,664	40,915	3,215,579	(41,516)	3,174,063
Real Estate	2,248,114	-	2,248,114	(4,425)	2,243,689
Construction and Engineering	1,641,539	70,579	1,712,118	(58,146)	1,653,972
Quasi Government	1,483,313	-	1,483,313	(351)	1,482,962
Transportation	1,314,283	301,240	1,615,523	(224,402)	1,391,121
Retail	1,156,880	26,472	1,183,352	(40,473)	1,142,879
Communication and Media	646,527	170	646,697	(1,941)	644,756
Agriculture and Fishing	597,031	-	597,031	(1,177)	595,854
Others	2,583,193	-	2,583,193	(80,544)	2,502,649
	27,381,904	591,296	27,973,200	(673,239)	27,299,961

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

8. LOANS AND ADVANCES, NET (continued)

g) Economic sector risk concentration for the loans and advances: (continued)

31 December 2022	Performing loans and advances	Non-performing loans and advances	Loans and advances, gross	Allowance for expected credit losses	Loans and advances, net
Trading and Services	4,820,854	182,589	5,003,443	(246,467)	4,756,976
Financial Services	4,779,910	-	4,779,910	(6,468)	4,773,442
Manufacturing	2,861,704	40,303	2,902,007	(44,597)	2,857,410
Real Estate	2,521,064	-	2,521,064	(9,747)	2,511,317
Energy, Oil and Petrochemical	2,447,825	2,550	2,450,375	(6,758)	2,443,617
Construction and Engineering	1,788,036	96,569	1,884,605	(91,699)	1,792,906
Retail	1,329,765	8,210	1,337,975	(26,875)	1,311,100
Agriculture and Fishing	657,331	-	657,331	(1,783)	655,548
Transportation	588,951	301,279	890,230	(196,270)	693,960
Communication and Media	380,881	-	380,881	(1,295)	379,586
Others	2,623,518	-	2,623,518	(8,643)	2,614,875
	24,799,839	631,500	25,431,339	(640,602)	24,790,737

9. OTHER ASSETS

	2023	2022
Derivatives related receivables	**164,234**	130,336
Margin lending receivables	**112,845**	82,980
Prepayments	**85,472**	52,844
Due from related parties (note 38)	**51,741**	127,147
Fees and commission	**11,531**	13,305
Others	**39,587**	49,553
	465,410	456,165

10. FURNITURE, FIXTURES AND EQUIPMENT, NET

2023	**Leasehold improvements**	**Furniture and equipment**	**Work in progress**	**Total**
Cost:				
Balance at 1 January 2023	**62,340**	**172,594**	**2,499**	**237,433**
Additions	**188**	**12,810**	**13,235**	**26,233**
Transfers	**270**	**3,201**	**(3,471)**	**-**
Balance at 31 December 2023	**62,798**	**188,605**	**12,263**	**263,666**
Accumulated depreciation:				
Balance at 1 January 2023	**44,856**	**141,036**	**-**	**185,892**
Charge for the year	**4,983**	**14,123**	**-**	**19,106**
Balance at 31 December 2023	**49,839**	**155,159**	**-**	**204,998**
Carrying amount at 31 December 2023	**12,959**	**33,446**	**12,263**	**58,668**

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FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

10. FURNITURE, FIXTURES AND EQUIPMENT, NET (continued)

2022	Leasehold improvements	Furniture and equipment	Work in progress	Total
Cost:				
Balance at 1 January 2022	82,962	164,714	2,495	250,171
Additions	592	2,623	9,855	13,070
Transfers	4,273	5,578	(9,851)	-
Write-offs	(25,487)	(321)	-	(25,808)
Balance at 31 December 2022	62,340	172,594	2,499	237,433
Accumulated depreciation:				
Balance at 1 January 2022	60,346	129,537	-	189,883
Charge for the year	9,997	11,820	-	21,817
Write-offs	(25,487)	(321)	-	(25,808)
Balance at 31 December 2022	44,856	141,036	-	185,892
Carrying amount at 31 December 2022	17,484	31,558	2,499	51,541

Above work in progress represents the projects in progress that relates to enhance the existing tangible assets.

11. LEASES

(a) Right-of-use assets, net

	2023	2022
Balance at 1 January	**184,629**	197,931
Additions, net	**73,237**	11,451
Depreciation	**(24,590)**	(24,753)
Balance at 31 December	**233,276**	184,629

(b) Lease liabilities

	2023	2022
Balance at 1 January	**193,740**	201,445
Additions, net	**73,237**	11,451
Special commission expense	**13,010**	11,031
Payments of special commission expense	**(13,010)**	(11,031)
Payments of principal	**(20,777)**	(19,156)
Balance at 31 December	**246,200**	193,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

12. INTANGIBLE ASSETS, NET

2023	Software	Work in progress	Total
Cost:			
Balance at 1 January 2023	153,084	22,986	176,070
Additions	4,283	55,219	59,502
Transfers	37,483	(37,483)	-
Balance at 31 December 2023	194,850	40,722	235,572
Accumulated amortisation:			
Balance at 1 January 2023	126,783	-	126,783
Charge for the year	18,181	-	18,181
Balance at 31 December 2023	144,964	-	144,964
Carrying amount at 31 December 2023	49,886	40,722	90,608

2022	Software	Work in progress	Total
Cost:			
Balance at 1 January 2022	137,626	13,223	150,849
Additions	627	24,594	25,221
Transfers	14,831	(14,831)	-
Balance at 31 December 2022	153,084	22,986	176,070
Accumulated amortisation:			
Balance at 1 January 2022	112,590	-	112,590
Charge for the year	14,193	-	14,193
Balance at 31 December 2022	126,783	-	126,783
Carrying amount at 31 December 2022	26,301	22,986	49,287

Above work in progress represents the projects in progress that relates to enhance existing intangible assets or to acquire new software's.

13. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2023	2022
Money market deposits	3,730,823	4,119,310
Current accounts	125,388	68,732
	3,856,211	4,188,042

Money market deposits include profit free deposits of SAR 358 million (2022: SAR 532 million) from SAMA with original tenures ranging from 1 to 4.75 years in order to offset the modification losses that the Group is expected to incur in deferring the payments.

The above include Shariah based balances as follows:

	2023	2022
Money market deposits - Murabaha	-	213,071

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(AMOUNTS IN SAR'000)

14. CUSTOMERS' DEPOSITS

	2023	2022
Demand deposits	**18,810,969**	15,001,961
Time deposits	**12,560,360**	13,346,902
Margin	**426,532**	922,498
Saving accounts	**307,758**	323,649
	32,105,619	29,595,010

The above include foreign currency deposits as follows:

	2023	2022
Demand	**2,451,483**	3,840,423
Time	**1,955,653**	2,520,390
Margin	**69**	54
	4,407,205	6,360,867

The above include Shariah approved customer deposits as below:

	2023	2022
Demand deposits	**3,835,243**	3,725,814
Time deposits	**9,129,618**	9,641,128
Saving accounts	**307,758**	323,649
Margin deposits	**8,406**	3,107
	13,281,025	13,693,698

15. SUBORDINATED DEBT

During the year, the bank began issuing its Tier II sukuk (non-convertible and unlisted) worth SAR 3 billion. An amount of SAR 1.5 billion was issued and subscribed on December 19, 2023. The issuance of the Sukuk is under the Bank's Sukuk issuance programme ("the Programme") and matures in 2033, with the Bank having the option to redeem the Sukuk after 5 years, subject to SAMA's prior approval and the conditions of the Programme being met. The Bank's Sukuk programme is in line with the Bank's strategic objectives to promote growth and actively contribute to the achievement of the national economic goals set out in the Kingdom's Vision 2030. The structure of the Sukuk has been approved by the Bank's Shari'ah Committee and the Regulatory Authority. The Sukuk is unsecured and was offered through a private placement in the Kingdom of Saudi Arabia. The effective special commission rate is the three-month SAIBOR plus a margin of 120 basis points and is payable quartely. The sukuk are denominated in Saudi Arabian riyals.

16. OTHER LIABILITIES

	2023	2022
Accrued expenses	**215,849**	169,253
Derivatives related payables	**171,299**	90,263
Expected credit loss on loan commitments and financial guarantee contracts	**162,204**	141,337
Due to related parties (note 38)	**141,647**	145,020
Deferred loan, letter of credit and guarantee fees	**118,640**	74,598
End of service benefits (note 16.1)	**84,550**	79,561
Provision for zakat (note 31)	**50,260**	26,680
Sadad payable	**46,064**	61,563
Credit card related payables	**44,698**	2,126
Others	**105,065**	96,547
	1,140,276	886,948

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16. OTHER LIABILITIES (continued)

i. End of service benefits

The Group operates an end of service benefit plan for its employees based on the prevailing Saudi Labor Laws. Accruals are made in accordance with the actuarial valuation under projected unit credit method while the benefit payments obligation is discharged as and when it falls due.

The amounts recognised in other liabilities in the consolidated statement of financial position and movement in the obligation during the year based on its present value are as follows:

	2023	2022
Balance at 1 January	**79,561**	62,723
Current service cost	**12,636**	10,806
Interest cost	**3,745**	1,486
Benefits paid during the year	**(5,250)**	(5,727)
Actuarial (gains) / losses	**(6,142)**	10,033
Amount transferred from related party	**-**	240
Balance at 31 December	**84,550**	79,561

(a) Charge for the year recognised in the consolidated statement of income

	2023	2022
Current service cost	**12,636**	10,806
Interest cost	**3,745**	1,486
	16,381	12,292

(b) Re-measurement recognised in the consolidated statement of other comprehensive income

	2023	2022
(Gain) / loss from change in experience assumptions	**(6,315)**	9,962
Loss from change in financial assumptions	**7**	1,809
Loss / (gain) from change in demographic assumptions	**166**	(1,738)
Balance at 31 December	**(6,142)**	10,033

(c) Principal actuarial assumptions (in respect of the employee end of service benefits)

	2023	2022
Discount rate	**4.3%**	4.6%
Expected rate of salary increase	**4.20%**	4.25%
Normal retirement age	**60 years**	60 years

Assumptions regarding future mortality are set based on actuarial advice in accordance with the published statistics and experience in the region.

(d) Sensitivity of actuarial assumptions

The table below illustrates the sensitivity of the defined benefit obligation valuation as at 31 December 2023 to the discount rate and salary escalation rate:

	Impact on defined benefit obligation		
2023 Base scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**(2,441)**	**2,568**
Expected rate of salary increase	**0.50%**	**1,990**	**(1,916)**

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16. OTHER LIABILITIES (continued)

i. End of service benefits (continued)

d) Sensitivity of actuarial assumptions (continued)

	Impact on defined benefit obligation		
2022 Base scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(2,307)	2,439
Expected rate of salary increase	0.50%	1,895	(1,812)

The above sensitivity analysis is based on a change in an assumption keeping all other assumptions constant.

The following payments are expected against the defined benefits liability in future years:

	2023	2022
Within the next 12 months (next annual reporting period)	**11,176**	10,263
Between 2 and 5 years	**54,372**	52,583
Beyond 5 years up to 10 years	**74,167**	69,141
Total expected payments	**139,715**	131,987

The average duration of the defined benefits plan obligation at 31 December 2023 is 5.7 years (31 December 2022: 5.9 years).

17. SHARE CAPITAL

The authorised, issued and fully paid share capital at 31 December 2023 and 2022 comprised 750 million shares of SAR 10 each. Basic and diluted earnings per share for the year ended 31 December 2023 and 2022 is calculated on a weighted average basis by dividing the net income for the year by 750 million shares. Gulf International Bank BSC is the parent, Public Investment Fund is the Ultimate parent and Government of Saudi Arabia is the Ultimate Controlling Party of the Group.

	2023	2022
Gulf International Bank BSC	**50%**	50%
Public Investment Fund	**50%**	50%

18. STATUTORY RESERVE

In accordance with Saudi Arabian Banking Control Law and the By-Laws of the Bank, a minimum of 25% of the annual net income is required to be transferred to a statutory reserve until this reserve equals the paid-up capital of the Bank. Due to brought forward accumulated losses, no amount has been transferred during the year to the statutory reserve.

19. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 31 December 2023 and 2022, there were no significant legal proceedings outstanding against the Group which requires a disclosure or provision.

b) Capital commitments

As at 31 December 2023 the Group had capital commitments of SAR 86.2 million (2022: SAR 65.2 million) in respect of furniture, fixtures and equipment and intangible assets.

c) Credit related contingencies and commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement. The letter of guarantees once called upon are payable on demand by the Group, subject to meeting certain conditions stipulated in underlying agreements, where applicable.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

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19. CONTINGENCIES AND COMMITMENTS (continued)

c) Credit related contingencies and commitments (continued)

Commitments to extend credit represent the unused portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

i) The contractual maturity structure of the Group's contingencies and commitments is as follows:

	Notional amounts by term to maturity				
2023	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**1,853,819**	**622,150**	**3,398**	**-**	**2,479,367**
Letters of guarantee	**2,385,858**	**7,055,781**	**3,625,312**	**101,124**	**13,168,075**
Acceptances	**658,512**	**846,586**	**48,884**	**-**	**1,553,982**
Irrevocable commitments to extend credit	**-**	**37,500**	**3,153,215**	**2,811,051**	**6,001,766**
	4,898,189	**8,562,017**	**6,830,809**	**2,912,175**	**23,203,190**

	Notional amounts by term to maturity				
2022	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,264,106	630,624	112,259	-	2,006,989
Letters of guarantee	2,103,658	6,474,486	2,570,318	2,485	11,150,947
Acceptances	533,073	856,278	63,340	-	1,452,691
Irrevocable commitments to extend credit	-	163,900	1,055,014	1,477,035	2,695,949
	3,900,837	8,125,288	3,800,931	1,479,520	17,306,576

The outstanding unused portion of commitments as at 31 December 2023 which can be revoked unilaterally at any time by the Group, amounts to SAR 16.5 billion (2022: SAR 4.9 billion).

In addition to above credit related irrevocable commitments, the Group has an irrevocable commitment of SAR 39 million as of 31 December 2023.

ii) The analysis of commitments and contingencies by counterparty is as follows:

	2023	2022
Corporate	**20,665,862**	15,121,290
Banks and other financial institutions	**2,537,328**	2,185,286
	23,203,190	17,306,576

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19. CONTINGENCIES AND COMMITMENTS (continued)

iii) Reconciliation of exposure of the financial contingencies and commitments:

31 December 2023	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Balance at 1 January 2023	**15,507,553**	**1,444,009**	**355,014**	**17,306,576**
Transfers during the year				
Transfer to Stage 1	**282,027**	**(282,027)**	-	-
Transfer to Stage 2	**(86,556)**	**86,556**	-	-
Transfer to Stage 3	-	-	-	-
	195,471	**(195,471)**	-	-
Net change during the year	**5,866,436**	**71,270**	**(41,092)**	**5,896,614**
Balance at 31 December 2023	**21,569,460**	**1,319,808**	**313,922**	**23,203,190**

31 December 2022	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	14,164,314	1,353,003	409,627	15,926,944
Transfers during the year				
Transfer to Stage 1	117,960	(117,960)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	117,960	(117,960)	-	-
Net change during the year	1,225,279	208,966	(54,613)	1,379,632
Balance at 31 December 2022	15,507,553	1,444,009	355,014	17,306,576

iv) Reconciliation of expected credit losses on financial contingencies and commitments:

31 December 2023	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Balance at 1 January 2023	**12,056**	**12,286**	**116,995**	**141,337**
Transfers during the year				
Transfer to Stage 1	**1,984**	**(1,984)**	-	-
Transfer to Stage 2	**(370)**	**370**	-	-
Transfer to Stage 3	-	-	-	-
	1,614	**(1,614)**	-	-
Charge during the year	**893**	**3,358**	**16,616**	**20,867**
Balance at 31 December 2023	**14,563**	**14,030**	**133,611**	**162,204**

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19. CONTINGENCIES AND COMMITMENTS (continued)

iv) Reconciliation of expected credit losses on financial contingencies and commitments: (continued)

31 December 2022	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	8,723	6,060	123,412	138,195
Transfers during the year				
Transfer to Stage 1	503	(503)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	503	(503)	-	-
Charge / (reversal) during the year	2,830	6,729	(6,417)	3,142
Balance at 31 December 2022	12,056	12,286	116,995	141,337

20. SPECIAL COMMISSION INCOME AND EXPENSE

	2023	2022
Special commission income		
Loans and advances	**1,829,479**	903,770
Due from banks and other financial institutions	**455,378**	161,672
Investments held at amortised cost	**354,116**	148,340
	2,638,973	1,213,782
Special commission expense		
Customers' deposits	**1,694,045**	554,865
Due to banks and other financial institutions	**17,516**	8,653
Lease liabilities (note 11.b)	**13,010**	11,031
Subordinated debt	**4,072**	-
	1,728,643	574,549
Net special commission income	**910,330**	639,233

The breakup of income from Shariah products is as follows:

	2023	2022
Investments held at amortised cost	**179,601**	105,041
Due from banks and other financial institutions	**34,031**	10,013
Loans and advances	**1,076,517**	547,707
	1,290,149	662,761

The breakup of expense from Shariah products is as follows:

	2023	2022
Due to banks and other financial institutions	**4,891**	3,577
Customers' deposits	**573,360**	169,823
Subordinated debt	**4,072**	-
	582,323	173,400

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21. FEE AND COMMISSION INCOME AND EXPENSE

	2023	2022
Fee and commission income		
Letters of credit	**53,953**	43,731
Loan management fee	**69,145**	52,173
Asset management	**65,096**	63,052
Letters of guarantee	**42,690**	34,254
Advisory	**41,132**	42,819
Other banking services	**28,672**	15,270
Brokerage	**5,978**	6,049
	306,666	257,348
Fee and commission expense		
Bank charges and commission	**(10,245)**	(7,547)
Other fees and commission expenses	**(8,887)**	(9,475)
	(19,132)	(17,022)
Net fee and commission income	**287,534**	240,326
Point in time:		
Other banking services	**28,672**	15,270
Advisory	**41,132**	42,819
Brokerage	**5,978**	6,049
Over time:		
Trade finance	**96,643**	77,985
Fees on credit facilities	**69,145**	52,173
Asset management fee	**65,096**	63,052
	306,666	257,348

22. EXCHANGE INCOME, NET

Foreign exchange income principally comprises customer-initiated foreign exchange contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these offset customer-related foreign exchange contracts. Foreign exchange includes spot and forward foreign exchange contracts, and currency futures and options.

23. GAIN / (LOSS) ON INVESTMENTS HELD AT FVSI, NET

Gains on investments held at FVSI comprised of the mark to market of the Group's investments in the funds and other trading equity securities.

24. GAIN ON OTHER FINANCIAL INSTRUMENTS, NET

	2023	2022
Derivatives	**11,284**	22,754
Gain on sale of debt securities	**127**	4,034
	11,411	26,788

Gains on other financial instruments comprises gains and losses arising both on the purchase and sale, and from changes in the fair value, of instruments, together with the related interest income, interest expense. Interest rate derivatives income principally comprises customer-initiated contracts which have been offset in the market with matching contracts. There is no remaining market risk associated with these contracts.

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25. DIVIDEND INCOME

Dividend income comprises of dividend income on equity investments classified as FVOCI.

26. OTHER INCOME

Other income mainly consists of recoveries on previously written-off assets that had previously been either written off or transferred to the memorandum records.

27. SALARIES AND EMPLOYEES' RELATED EXPENSES

The following table summarizes the Group's employee categories defined in accordance with SAMA's rules on compensation practices and includes the total amounts of fixed and variable compensation paid to employees during the year ended 31 December 2023 and the forms of such payments.

	2023			
Category	**Number of employees**	**Fixed compensation**	**Variable compensation**	**Total**
Senior executives requiring SAMA no objection	**18**	**21,349**	**6,819**	**28,168**
Employees engaged in risk taking activities	**172**	**73,590**	**13,744**	**87,334**
Employees engaged in control functions	**122**	**35,539**	**5,272**	**40,811**
Other employees	**585**	**159,950**	**60,844**	**220,794**
	897	**290,428**	**86,679**	**377,107**
Outsourced employees	**236**	**59,507**	**95**	**59,602**
	1,133	**349,935**	**86,774**	**436,709**
Other employee related benefits				**75,253**
Total salaries and employees' related expenses				**511,962**

	2022			
Category	Number of employees	Fixed compensation	Variable compensation	Total
Senior executives requiring SAMA no objection	17	21,901	4,393	26,294
Employees engaged in risk taking activities	170	65,904	11,269	77,173
Employees engaged in control functions	120	32,886	3,547	36,433
Other employees	539	139,295	31,512	170,807
	846	259,986	50,721	310,707
Outsourced employees	226	41,159	-	41,159
	1,072	301,145	50,721	351,866
Other employee related benefits				75,032
Total salaries and employees' related expenses				426,898

Other employee related benefits include medical insurance, recruitment expenses, end of service benefits and other employee related expenses.

28. RENT AND PREMISES RELATED EXPENSES

	2023	2022
Office cleaning and other premises expenses	**2,518**	2,256
Repair and maintenance	**5,124**	4,097
Utilities and others	**4,966**	1,896
	12,608	8,249

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29. DEPRECIATION AND AMORTISATION

	2023	2022
Depreciation on furniture, fixtures and equipment (note 10)	**19,106**	21,817
Depreciation on right-of-use assets (note 11)	**24,590**	24,753
Amortisation on intangible assets (note 12)	**18,181**	14,193
	61,877	60,763

30. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2023	2022
Repair and maintenance	**74,150**	56,920
Communication and data information services	**54,457**	17,588
Valued added tax	**49,920**	42,334
Managed services / Contractor charges	**43,737**	35,052
Advertising and business promotion	**19,913**	13,501
Depositors' protection scheme expenses	**12,000**	10,800
Legal and professional fees	**7,221**	19,831
Auditors' fee (30.1)	**2,923**	2,267
Subscription and publication	**8,049**	15,737
Directors' remuneration and other expenses	**7,088**	6,556
Visa card expenses	**5,176**	3,873
Insurance	**3,533**	3,219
Corporate social responsibility	**3,234**	1,472
Others	**13,251**	24,443
	304,652	253,593

30.1 AUDITORS' FEE

Above Auditors' fee consists of the following:

	2023	2022
Audit and review	**2,253**	2,010
Other services	**670**	257
	2,923	2,267

31. ZAKAT

	2023	2022
Current year charge	**47,136**	23,554
Prior year reversal	**-**	(1,500)
	47,136	22,054

Status of assessments

Gulf International Bank – Saudi Arabia

The Bank has filed its zakat declaration with the Zakat, Tax and Customs Authority ("ZATCA") for the period from 3rd April 2019 to 31 December 2019 and for the years ended 31 December 2020 to 2022. The assessments have been finalised by ZATCA for the period / year 2019 and 2020, without any additional liability, however, no assessment has been raised by the ZATCA for the year 31 December 2021 and 2022.

GIB Capital Company

In 2016, the Company obtained an approval from ZATCA for an exemption to pay zakat. Accordingly, the Company has not considered zakat for the years from 2016 to 2023.

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32. CASH AND CASH EQUIVALENTS

	2023	2022
Cash and balances with Saudi Central Bank (SAMA) excluding statutory deposit	**4,892,374**	3,606,274
Due from banks and other financial institutions with original maturities of three months or less	**2,335,409**	4,503,902
	7,227,783	8,110,176

33. FINANCIAL RISK MANAGEMENT

(a) Credit risk

The Board of Directors ("the Board") is responsible for the overall risk management approach and for approving the risk management strategies and principles. The Board has appointed the Board Risk Policy Committee (BRPC) which has the responsibility to monitor the overall risk process within the Group. The BRPC has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits.

The Management Risk Committee is responsible for managing risk decisions and monitoring risk levels. Credit decisions are made by the Management Credit Committee. The Group manages exposure to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities. There is also credit risk in off-balance sheet financial instruments, such as loan commitments. Disciplined processes are in place at both the business unit and corporate level that are intended to ensure that risks are accurately assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counterparty, country and portfolio levels. Overall exposures are also evaluated to ensure a broad diversified credit risk exposure.

The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography, and the regular appraisal of counterparty credit quality through the analysis of qualitative and quantitative information. The Group assesses the probability of default of counterparties using internal rating tools. Also, the Group uses the external ratings, of the major rating agencies where available.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. The Group's risk management policies are designed to identify and to set appropriate risk limits and to monitor the risks and adherence to limits. Actual exposures against limits are monitored daily. In addition to monitoring credit limits, the Group manages the credit exposure relating to its trading activities by entering into master netting agreements and collateral arrangements with counterparties in appropriate circumstances and limiting the duration of exposure. In certain cases, the Group may also close out transactions or assign them to other counterparties to mitigate credit risk. The Group's credit risk for derivatives represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation, and to control the level of credit risk taken. The Group assesses counterparties using the same techniques as for its lending activities.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

The Group seeks to manage its credit risk exposure through diversification of lending activities to ensure that there is no undue concentration of risks with individuals or groups of customers in specific locations or business. It also takes security when appropriate. The group also seeks additional collateral from a counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. The Group regularly reviews its risk management policies and systems to reflect changes in markets products and emerging best practice.

The debt securities included in the investment portfolio are mainly sovereign risk. Analysis of investments by counterparty is provided in note 6. For details of the composition of loans and advances refer to note 8. Information on credit risk relating to derivative instruments is provided in note 7 and for contingencies and commitments in note 19.

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(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) **Credit risk** (continued)

33.1 Concentration of risks of assets with credit risk exposure and liabilitiesGeographical concentration

2023	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Total
Assets						
Balance with Saudi Central Bank (SAMA)	6,667,497	-	-	-	-	6,667,497
Due from banks and other financial institutions	405,157	1,406,750	496,961	56,541	-	2,365,409
Investments, net	8,990,768	114,771	-	-	-	9,105,539
Positive fair value of derivatives	205,648	110,766	-	-	-	316,414
Loans and advances, net	27,299,961	-	-	-	-	27,299,961
Other assets	796,221	32,859	18,882	-	-	847,962
Total	44,365,252	1,665,146	515,843	56,541	-	46,602,782
Liabilities						
Due to banks and other financial institutions	3,730,409	123,153	2,613	36	-	3,856,211
Customers' deposits	30,513,389	75,442	1,516,788	-	-	32,105,619
Negative fair value of derivatives	119,903	130,710	-	-	-	250,613
Subordinated debt	1,504,072	-	-	-	-	1,504,072
Other liabilities	998,629	141,647	-	-	-	1,140,276
Lease liabilities	246,200	-	-	-	-	246,200
Total liabilities	37,112,602	470,952	1,519,401	36	-	39,102,991
Contingencies and commitments						
Letters of credit	2,349,740	129,627	-	-	-	2,479,367
Letters of guarantee	11,209,736	336,449	274,861	1,345,553	1,476	13,168,075
Acceptances	1,542,910	7,213	3,859	-	-	1,553,982
Irrevocable commitments to extend credit	5,955,273	46,493	-	-	-	6,001,766
Maximum credit exposure (stated at credit equivalent amounts)						
Contingencies and commitments						
Letters of credit	2,428,310	34,566	-	-	-	2,462,876
Letters of guarantee	10,426,508	263,105	73,368	426,053	393	11,189,427
Acceptances	2,439,251	1,923	1,029	-	-	2,442,203
Irrevocable commitments to extend credit	5,208,854	46,492	-	-	-	5,255,346

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(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.1 Concentration of risks of assets with credit risk exposure and liabilitiesGeographical concentration (continued)

2022	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Total
Assets						
Balance with Saudi Central Bank (SAMA)	5,150,826	-	-	-	-	5,150,826
Due from banks and other financial institutions	1,242,680	1,089,333	1,125,670	1,076,319	-	4,534,002
Investments, net	6,704,072	88,330	-	-	-	6,792,402
Positive fair value of derivatives	233,460	184,020	-	-	-	417,480
Loans and advances, net	24,790,737	-	-	-	-	24,790,737
Other assets	568,513	173,072	37	-	-	741,622
Total	38,690,288	1,534,755	1,125,707	1,076,319	-	42,427,069
Liabilities						
Due to banks and other financial institutions	3,238,826	946,567	2,613	36	-	4,188,042
Customers' deposits	28,587,531	-	1,007,479	-	-	29,595,010
Negative fair value of derivatives	149,525	182,034	-	-	-	331,559
Lease liabilities	193,740	-	-	-	-	193,740
Other liabilities	763,339	84,467	39,142	-	-	886,948
Total liabilities	32,932,961	1,213,068	1,049,234	36	-	35,195,299
Contingencies and commitments						
Letters of credit	1,949,621	57,368	-	-	-	2,006,989
Letters of guarantee	9,409,012	265,349	259,445	1,215,675	1,466	11,150,947
Acceptances	1,452,691	-	-	-	-	1,452,691
Irrevocable commitments to extend credit	2,695,949	-	-	-	-	2,695,949
Maximum credit exposure (stated at credit equivalent amounts)						
Contingencies and commitments						
Letters of credit	854,683	15,271	-	-	-	869,954
Letters of guarantee	8,544,948	164,156	69,411	416,791	391	9,195,697
Acceptances	538,379	-	-	-	-	538,379
Irrevocable commitments to extend credit	2,575,680	-	-	-	-	2,575,680

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33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis

The tables shown in investments and loans and advances notes set out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in those tables represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the respective tables represents the amounts committed or guaranteed, respectively.

During the year ended 31 December 2023, the Group has implemented a revised expected credit loss model which incorporates revised basis of portfolio segmentation, PIT conversion methodology and macroeconomic variables.

Amounts arising from ECL – significant increase in credit risk

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

The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the remaining lifetime PD is determined to have increased significantly. The Group also considers all counterparties internally rated 2 and above, between 2- and 3+, between 3 and 4+, between 4 and 5-, between 6+ and 6 and 6- to be significantly deteriorated where they have been downgraded 6 notches, 5 notches, 4 notches, 3 notches, 2 notches and 1 notch respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty. The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs and qualitative factors, including whether the exposure has been watch-listed, whether the exposure is more than 30 days past due and as a backstop based on delinquency.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria is capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria does not align with the point in time when an asset becomes 30 days past due; and
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

Credit risk grades

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower. Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3. The internal ratings map directly to the external rating grades used by the international credit rating agencies as follows; and grade 1 to 7 are performing and grade 8 to 10 are non-performing.

Category:	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	-

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33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis (continued)

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves use of the following data:

Non-retail exposures

- Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality management, and senior management changes;
- Data from credit reference agencies, press articles, changes in external credit ratings;
- Quoted bond and credit default swap (CDS) prices for the borrower where available; and
- Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities.

Retail exposures

- Internally collected data and customer behavior – e.g. utilisation of credit card facilities;
- Affordability metrics; and
- External data from credit reference agencies including industry-standard credit scores.

All exposures

- Payment record – this includes overdue status as well as a range of variables about payment;
- Utilisation of the granted limit;
- Requests for and granting of forbearance; and
- Existing and forecast changes in business, financial and economic conditions.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Definition of 'default'

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Group. In assessing whether a borrower is in default, the Group considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Group.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group for regulatory capital purposes.

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group takes into consideration the economic forecasts published by the IMF and formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios and its weights.

The base case represents a most-likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

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33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis (continued)

The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The economic scenarios used as at 31 December 2023 included the following ranges of key indicators:

KSA			
Base 50%	**Year 1**	**Year 2**	**Year 3**
Annual Growth in KSA Government Revenue (%)	4.2	4.7	(2.4)
KSA GDP (%)	3.2	7.6	3.7
Oil Price ($)	94.0	90.0	81.0
World GDP (%)	4.4	2.4	3.1
World Investment as % of GDP	3.1	2.4	(0.8)
Positive 5%			
Annual Growth in KSA Government Revenue (%)	17.6	18.1	11.0
KSA GDP (%)	5.1	9.5	5.6
Oil Price ($)	104.0	100.0	91.0
World GDP (%)	6.1	4.1	4.8
World Investment as % of GDP	4.0	3.2	0.1
Negative 45%			
Annual Growth in KSA Government Revenue (%)	(11.4)	(10.9)	(18.0)
KSA GDP (%)	1.0	5.4	1.5
Oil Price ($)	82.0	78.0	69.0
World GDP (%)	2.4	0.4	1.1
World Investment as % of GDP	2.1	1.3	(1.8)

The Group has identified KSA GDP growth rate, Oil Price and KSA Government Revenue as the key economic variables for the Wholesale Corporate loans portfolio along with World GDP and World Investments for the Investment, Securities and Placements portfolio. Given the nature of the Bank's exposures and availability of historical information, the Group derives the point-in-time (PIT) PD using the through-the-cycle (TTC) PD for each rating category. The Group uses the Regression based model for the Wholesale Corporate Loans portfolio and Vasicek models for the Investments securities and placements portfolio to link the TTC PDs with forward looking economic factors to derive PIT PD estimates for each rating category. The Regression as well as the Vasicek models takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default rates have been developed using historical default data and relevant macroeconomic data.

The table below shows the sensitivity of change in economic indicators to the ECL in SAR 000' computed under three different scenarios used by the Group:

2023	**Probability**	**Debt instruments held at amortised cost**	**Loans and advances**	**Financial guarantees**	**Letter of credit**	**Undrawn commitment**
Base	**50%**	**3,826**	**152,055**	**15,097**	**3,766**	**1,132**
Positive	**5%**	**3,239**	**135,437**	**11,032**	**2,536**	**841**
Negative	**45%**	**6,442**	**182,396**	**22,401**	**6,026**	**1,770**

2022	Probability	Debt instruments held at amortised cost	Loans and advances	Financial guarantees	Letter of credit	Undrawn commitment
Base	50%	1,109	158,856	12,297	6,846	1,232
Positive	15%	923	141,807	10,367	5,580	932
Negative	35%	1,512	178,773	14,586	8,392	1,646

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33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis (continued)

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

PD estimates are estimates at a certain date. For corporate exposures, corporate PD estimates are internally derived using the Group's central default tendency for the corporate portfolio. For Banks/FIs exposures, the Group applies a separate set of TTC PDs that are developed are based on external rating data of global financial institutions. Furthermore, for Sovereign exposures, the Group applies a separate set of TTC PDs that are based on external rating data of Sovereigns rated by S&P.

The TTC PD estimates are converted to PIT PDs using the Regression model for the Loans portfolio and Vasicek model for the Investments securities and placements portfolio. For exposures that have tenors in excess of one year and that are assessed on lifetime PDs, cumulative lifetime PDs are calculated by compounding the 12-month PIT PD.

LGD is the magnitude of the likely loss if there is a default. Since the Group has insufficient historical LGD data to derive statistically reliable LGD estimates, internal LGDs shall be based on external benchmarks.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD for on-balance sheet exposures shall be equivalent to the outstanding utilisation. Cash, equities and real estate are considered as eligible collateral for ECL calculation. For off-balance sheet exposures, the EAD shall be calculated by multiplying the gross exposure amount by a Credit-Conversion Factor (CCF).

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

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

The Group calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario.

Credit-impaired loans

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

Modified financial assets

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

The Group renegotiates loans to customers in financial difficulties to maximise collection opportunities and minimise the risk of default. The Group grants forbearance on a selective basis if there is evidence that the customer has made all reasonable efforts to honour the original contractual terms and the customer is expected to be able to meet the revised terms. Forbearance is a qualitative indicator of a significant increase in credit risk, and a customer would need to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired, or in default, or the PD has decreased such that the provision for credit-impairment reverts to being measured at an amount equal to the 12-month ECL.

Collateral

The Group in the ordinary course of lending activities hold collaterals as security to mitigate credit risk in the loans and advances. These collaterals mostly include time, demand, and other cash deposits, financial guarantees, local and international equities, real estate and other fixed assets. The collaterals are held mainly against commercial and consumer loans and are managed against relevant exposures at their net realizable values. For financial assets that are credit impaired at the reporting period, quantitative information about the collateral held as security is needed to the extent that such collateral mitigates credit risk. The amount of collateral held as security for loans (after applicable hair cut) that are credit impaired as at 31 December are as follows:

	2023	2022
Less than 50%	**65,639**	107,894
51-70%	**-**	-
More than 70%	**153,385**	158,426
	219,024	266,320

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34. MARKET RISK

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as commission rates, foreign exchange rates, and equity prices. The Group classifies exposures to market risk into either 'trading' or 'non-trading' or 'banking-book'.

(a) Market risk - (trading-book)

The Board has set limits for the acceptable level of risks in managing the trading book. In order to manage the market risk in the trading-book, the Group periodically applies a VaR methodology to assess the market risk positions held and also to estimate the potential economic loss based on a set of assumptions and changes in market conditions.

A VaR methodology estimates the potential negative change in market value of a portfolio at a given confidence level and over a specified time horizon. The Group uses simulation models to assess the possible changes in the market value of the trading book based on historical data. VaR models are usually designed to measure the market risk in a normal market environment and therefore the use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that the future movements will follow a statistical distribution.

The VaR that the Group measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market positions were to be held unchanged for one day. The use of 99% confidence level depicts that within a one-day horizon, losses exceeding VaR figure should occur, on average, not more than once every hundred days.

The VaR represents the risk of portfolios at the close of a business day, and it does not account for any losses that may occur beyond the defined confidence interval. The actual trading results, however, may differ from the VaR calculations and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions.

To overcome the VaR limitations mentioned above, the Group also carries out stress tests of its portfolio to simulate conditions outside normal confidence intervals. The potential losses occurring under stress test conditions are reported regularly to the Group Asset Liability Committee (ALCO) for their review. The Group's VaR related information for the years ended 31 December 2023 and 2022 are as below, respectively.

SAR million:	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at 31 December 2023	**0.19**	**0.03**	**9.08**	**8.94**
Average VaR for 2023	**0.74**	**23.35**	**18.50**	**37.62**
VaR as at 31 December 2022	0.36	0.75	22.22	23.33
Average VaR for 2022	0.30	0.37	23.22	23.89

(b) Market risk - (non-trading or banking book)

Market risk on non-trading or banking positions mainly arises from the special commission rate, foreign currency exposures and equity price changes.

i) Special commission rate risk

Special commission rate risk arises from the possibility that the changes in special commission rates will affect either the fair values or the future cash flows of the financial instruments. The Board has established special commission rate gap limits for stipulated periods. The Group monitors positions daily and uses hedging strategies to ensure maintenance of positions within the established gap limits.

The following depicts the sensitivity to a reasonable possible change in special commission rates, with other variables held constant, on the Group's consolidated statement of income or equity. The sensitivity of the income is the effect of the assumed changes in special commission rates on the net special commission income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December 2023 and 2022, including the effect of hedging instruments. All the banking book exposures are monitored and analysed in US Dollars concentration and change. Sensitivities are disclosed in SAR thousands. Sensitivity of net special commission income for +100/-100 bps increase in the net special commission is SAR +/- SA 21 million for 2023 (SAR +/- 38.3 million for 2022).

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34. MARKET RISK (continued)

b) Market risk - (non-trading or banking book) (continued)

i) Special commission rate risk (continued)

Special commission sensitivity of assets, liabilities and off-balance sheet items

The Group manages exposure to the effects of various risks associated with fluctuations in the prevailing levels of market special commission rates on its financial position and cash flows. The Board sets limits on the level of mismatch of special commission rate reprising that may be undertaken, which is monitored daily by Group Treasury.

The table below summarises the Group's exposure to special commission rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group is exposed to special commission rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

2023	Within 3 Months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with Saudi Central Bank (SAMA)	4,873,000	-	-	-	1,794,497	6,667,497
Due from banks and other financial institutions	2,178,676	-	-	-	186,733	2,365,409
Investments, net	1,495,659	2,814,640	1,224,989	3,250,548	319,703	9,105,539
Positive fair value of derivatives	-	-	-	-	316,414	316,414
Loans and advances, net						
Consumer loans	94,298	260,306	608,362	193,914	(13,998)	1,142,882
Commercial loans	19,300,764	6,129,141	795,119	-	(67,945)	26,157,079
Other assets	-	-	-	-	847,962	847,962
Total assets	27,942,397	9,204,087	2,628,470	3,444,462	3,383,366	46,602,782
Liabilities and equity						
Due to banks and other financial institutions	3,730,823	-	-	-	125,388	3,856,211
Customers' deposits	24,475,697	2,327,738	61,999		5,240,185	32,105,619
Negative fair value of derivatives	-	-	-	-	250,613	250,613
Subordinated debt	1,504,072	-	-	-	-	1,504,072
Lease liabilities	-	-	-	-	246,200	246,200
Other liabilities	-	-	-	-	1,140,276	1,140,276
Shareholders' equity	-	-	-	-	7,499,791	7,499,791
Total liabilities and equity	29,710,592	2,327,738	61,999	-	14,502,453	46,602,782
Commission rate sensitivity - on consolidated statement of financial position	(1,768,195)	6,876,349	2,566,471	3,444,462	(11,119,087)	-
Commission rate sensitivity - Off consolidated statement of financial position	17,125,772	(17,125,772)	-	-	-	-
Commission rate sensitivity - Off consolidated statement of financial position	(17,125,772)	17,125,772	-	-	-	-
Total commission rate sensitivity gap	(1,768,195)	6,876,349	2,566,471	3,444,462	(11,119,087)	-
Cumulative commission rate sensitivity gap	(1,768,195)	5,108,154	7,674,625	11,119,087	-	-

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34. MARKET RISK (continued)

b) Market risk - (non-trading or banking book) (continued)

i) Special commission rate risk (continued)

2022	Within 3 Months	3-12 months	1-5 years	Over 5 years	Non-commission bearing	Total
Assets						
Cash and balances with Saudi Central Bank (SAMA)	3,587,000	-	-	-	1,563,826	5,150,826
Due from banks and other financial institutions	3,111,431	-	-	-	1,422,571	4,534,002
Investments, net	1,069,362	1,341,063	1,029,275	2,853,287	499,415	6,792,402
Positive fair value of derivatives	-	-	-	-	417,480	417,480
Loans and advances, net						
Consumer loans	52,011	225,389	828,785	204,915	-	1,311,100
Commercial loans	18,230,193	5,089,622	150,259	-	9,563	23,479,637
Other assets	-	-	-	-	741,622	741,622
Total assets	26,049,997	6,656,074	2,008,319	3,058,202	4,654,477	42,427,069
Liabilities and equity						
Due to banks and other financial institutions	3,599,565	-	-	-	588,477	4,188,042
Customers' deposits	19,391,077	4,812,049			5,391,884	29,595,010
Negative fair value of derivatives	-	-	-	-	331,559	331,559
Lease liabilities	-	-	-	-	193,740	193,740
Other liabilities	-	-	-	-	886,948	886,948
Shareholders' equity	-	-	-	-	7,231,770	7,231,770
Total liabilities and equity	22,990,642	4,812,049	-	-	14,624,378	42,427,069
Commission rate sensitivity - On statement of financial position	3,059,355	1,844,025	2,008,319	3,058,202	(9,969,901)	-
Commission rate sensitivity - Off statement of financial position	14,587,960	1,820,250	-	-	-	-
Commission rate sensitivity - Off statement of financial position	(14,587,960)	(1,820,250)	-	-	-	-
Total commission rate sensitivity gap	3,059,355	1,844,025	2,008,319	3,058,202	(9,969,901)	-
Cumulative commission rate sensitivity gap	3,059,355	4,903,380	6,911,699	9,969,901	-	-

The off-balance sheet gap position represents the net notional amounts of derivative financial instruments, which are used to manage special commission rate risk.

The off-balance sheet gap represents the net notional amounts of derivative financial instruments, which are used to manage the commission rate risk. The effective special commission rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating rate instrument or an instrument carried at fair value.

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34. MARKET RISK (continued)

b) Market risk - (non-trading or banking book) (continued)

ii) Currency position

The Group manages exposure to the effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. At the end of the year, the Group had the following significant net exposures denominated in foreign currencies:

	2023	2022
US Dollar - Short	**67,944**	47,482
Pound Sterling - long	**265**	879
Others - long	**1,732**	4,084
	69,941	52,445

iii) Currency risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates. The Board has set limits on positions by currencies, which are monitored daily, and hedging strategies are also used to ensure that positions are maintained within the limits.

The table below shows the currencies to which the Group has a significant exposure as at 31 December 2023 and 2022, respectively, on its non-trading monetary assets and liabilities and forecasted cash flows. The analysis calculates the effect of reasonable possible movement of the currency rate against SAR, with all other variables held constant, on the consolidated statement of income (due to the fair value of the currency sensitive non-trading monetary assets and liabilities) and equity. A positive effect shows a potential increase in the consolidated statement of income; whereas a negative effect shows a potential net reduction in the consolidated statement of income.

Changes in currency rate by 5 bps	**2023 - effect on net income**	2022 - effect on net income
USD	**12,740 / (12,740)**	2,374 / (2,374)
Pound Sterling	**64 / (65)**	5 / (5)

35. LIQUIDITY RISK

ALCO is also responsible for managing depositor concentration risk, which is partially mitigated by virtue of having a significant portion of the Group's total assets as liquid assets (i.e. mature within 3 months). As at 31 December 2023, 17 per cent (2022: 20%) of the Group's total assets consisted of cash, placements and securities and hence to this extent the risk of deposit withdrawals can be funded by reducing the level of surplus liquidity. Moreover, depositor concentration risk is further partially mitigated by having a laddered maturity of deposits and maintaining a high level of short-term liquidity. As at 31 December 2023, 24% (2022: 29%) of customer deposits are placed with SAMA on an overnight basis, bank placements, short-term T-bills / securities and in cash form.

Furthermore, Public Investment Fund is the ultimate parent of the Group. Due to the long-standing and close relationship, it has sizable deposits with the Group. Therefore, it is considered as one of the core depositors for the Group with a high degree of stickiness.

The Group maintains liquid reserves of no less than 20% of its deposit liabilities, in the form of cash, SAMA T-bills, due from banks and other financial institutions and/or assets, which can be converted into cash within a period not exceeding 30 days.

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35. LIQUIDITY RISK (continued)

a) Analysis of discounted assets and liabilities by expected maturity

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

	2023						
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	On Demand	Total
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	-	15,693	15,693
Balances with SAMA	4,873,000	-	-	-	1,775,123	3,681	6,651,804
Due from Banks and other financial institutions							
current accounts	-	-	-	-	-	186,733	186,733
money market placements	2,148,676	30,000	-	-	-	-	2,178,676
Investments, net	554,598	2,739,664	1,734,503	3,757,071	319,703	-	9,105,539
Positive fair value of derivatives							
Held for trading	39,627	16,363	200,715	-	-	-	256,705
Held as fair value hedges	-	464	28,279	30,966	-	-	59,709
Loans and advances, net							
Overdraft	1,525,063	-	-	-	-	-	1,525,063
Credit cards	91,024	-	-	-	-	-	91,024
Consumer loans	34,463	8,708	782,756	225,931	-	-	1,051,858
Commercial loans	2,215,185	2,161,574	19,470,907	784,350	-	-	24,632,016
Other assets	-	-	-	-	847,962	-	847,962
	11,481,636	4,956,773	22,217,160	4,798,318	2,942,788	206,107	46,602,782
Liabilities and equity							
Due to Banks and other financial institutions							
current accounts	-	-	-	-	-	125,388	125,388
money market deposits	3,392,275	276,548	62,000	-	-	-	3,730,823
Customers' deposits							
Demand	-	-	-	-	-	18,810,969	18,810,969
Time	8,355,490	2,646,987	1,557,883	-	-	-	12,560,360
Saving	-	-	-	-	-	307,758	307,758
Margin	-	-	-	-	-	426,532	426,532
Negative fair value of derivatives							
Held for trading	38,475	16,244	194,254	-	-	-	248,973
Held as fair value hedges	-	-	396	1,244	-		1,640
Subordinated debt	-	4,072	1,500,000	-	-	-	1,504,072
Lease liabilities	8,344	25,031	100,122	112,703	-	-	246,200
Other liabilities	-	-	-	-	-	1,140,276	1,140,276
Total equity	-	-	-	-	7,499,791	-	7,499,791
	11,794,584	2,968,882	3,414,655	113,947	7,499,791	20,810,923	46,602,782

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35. LIQUIDITY RISK (continued)

a) Analysis of discounted assets and liabilities by expected maturity (continued)

	2022						
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	On Demand	Total
Assets							
Cash and balances with SAMA							
Cash in hand	-	-	-	-	-	15,784	15,784
Balances with SAMA	3,587,000	-	-	-	1,544,552	3,490	5,135,042
Due from Banks and other financial institutions							
current accounts	-	-	-	-	-	1,422,571	1,422,571
money market placements	3,081,331	-	30,100	-	-	-	3,111,431
Investments, net	446,405	1,208,567	1,873,503	2,764,512	499,415	-	6,792,402
Positive fair value of derivatives							
Held for trading	18,157	13,718	202,117	100,244	-	-	334,236
Held as fair value hedges	-	-	44,034	39,210	-	-	83,244
Loans and advances, net							
Overdraft	1,836,860	-	-	-	-	-	1,836,860
Credit cards	25,091	-	-	-	-	-	25,091
Consumer loans	8,527	10,253	1,006,005	261,224	-	-	1,286,009
Commercial loans	1,727,099	1,421,135	17,084,133	1,410,410	-	-	21,642,777
Other assets	-	-	-	-	741,622	-	741,622
	10,730,470	2,653,673	20,239,892	4,575,600	2,785,589	1,441,845	42,427,069
Liabilities and equity							
Due to Banks and other financial institutions							
current accounts	-	-	-	-	-	68,732	68,732
money market deposits	3,180,692	550,000	388,618	-	-		4,119,310
Customers' deposits							
Demand	-	-	-	-	-	15,001,961	15,001,961
Time	7,759,501	4,687,270	900,131	-	-	-	13,346,902
Saving	-	-	-	-	-	323,649	323,649
Margin	-	-	-	-	-	922,498	922,498
Negative fair value of derivatives							
Held for trading	124	30,740	187,114	111,055	-	-	329,033
Held as fair value hedges	-	-	475	2,051	-	-	2,526
Lease liabilities	4,737	11,430	44,076	133,497	-	-	193,740
Other liabilities	-	-	-	-	886,948	-	886,948
Total equity	-	-	-	-	7,231,770	-	7,231,770
	10,945,054	5,279,440	1,520,414	246,603	8,118,718	16,316,840	42,427,069

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35. LIQUIDITY RISK (continued)

b) Analysis of financial liabilities by remaining undiscounted contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2023 and 2022 based on contractual undiscounted repayment obligations. As special commission payments up to contractual maturity are included in the table, totals do not necessarily match with the consolidated statement of financial position. The contractual maturities of liabilities have been determined based on the remaining period at the consolidated statement of financial position date to the contractual maturity date and do not take into account the effective expected maturities. The Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not affect the expected cash flows indicated by the Group's deposit retention history.

	2023						
	Within 3 months	**3-12 months**	**1-5 years**	**Over 5 years**	**No fixed maturity**	**On Demand**	**Total**
Liabilities							
Due to banks and other financial institutions	**3,418,978**	**276,548**	**62,000**	-	-	**125,388**	**3,882,914**
Customers' deposits							
Demand	-	-	-	-	-	**18,810,969**	**18,810,969**
Saving	-	-	-	-	-	**307,758**	**307,758**
Time	**8,651,663**	**2,823,680**	**1,919,113**	-	-	-	**13,394,456**
Margin	-	-	-	-	-	**426,532**	**426,532**
Negative fair value of derivatives	**38,475**	**16,244**	**194,650**	**1,244**	-	-	**250,613**
Subordinated debt	-	**112,763**	**1,951,052**	-	-	-	**2,063,815**
	12,109,116	**3,229,235**	**4,126,815**	**1,244**	-	**19,670,647**	**39,137,057**

	2022						
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	On Demand	Total
Liabilities							
Due to banks and other financial institutions	3,205,534	550,000	388,618	-	-	68,732	4,212,884
Customers' deposits							
Demand	-	-	-	-	-	15,001,961	15,001,961
Time	7,985,442	5,008,532	1,080,265	-	-	-	14,074,239
Saving	-	-	-	-	-	323,649	323,649
Margin	-	-	-	-	-	922,498	922,498
Negative fair value of derivatives	124	30,740	187,589	113,106	-	-	331,559
	11,191,100	5,589,272	1,656,472	113,106	-	16,316,840	34,866,790

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36. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

- In the accessible principal market for the asset or liability; or
- In the absence of a principal market, in the most advantages accessible market for the asset or liability.

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1:	Quoted prices in active markets for the same or identical instrument that an entity can access at the measurement date;
Level 2:	Quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and
Level 3:	Valuation techniques for which any significant input is not based on observable market data.

The following table shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Fair value			
At 31 December 2023	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investments held at FVOCI	**36,897**	**26,565**	**-**	**10,332**	**36,897**
Investments held at FVSI	**282,806**	**24,887**	**257,919**	**-**	**282,806**
Positive fair value of derivatives	**316,414**	**-**	**316,414**	**-**	**316,414**
Financial assets not measured at fair value					
Investments held at amortised cost	**8,785,836**	**-**	**5,158,393**	**3,330,123**	**8,488,516**
Loans and advances	**27,299,961**	**-**	**-**	**26,710,214**	**26,710,214**

		Fair value			
At 31 December 2022	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments held at FVOCI	296,412	289,529	-	6,883	296,412
Investments held at FVSI	203,003	23,488	179,515	-	203,003
Positive fair value of derivatives	417,480	-	417,480	-	417,480
Financial assets not measured at fair value					
Investments held at amortised cost	6,292,987	-	4,127,401	2,004,015	6,131,416
Loans and advances	24,790,737	-	-	25,138,163	25,138,163

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36. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

		Fair value			
At 31 December 2023	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value					
Negative fair value of derivatives	**250,613**	-	**250,613**	-	**250,613**
Financial liabilities not measured at fair value					
Customers' deposits	**32,105,619**	-	-	**32,528,178**	**32,528,178**
Subordinated debt	**1,504,072**	-	-	**1,503,888**	**1,503,888**

		Fair value			
At 31 December 2022	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	331,559	-	331,559	-	331,559
Financial liabilities not measured at fair value					
Subordinated debt	29,595,010	-	-	28,912,211	28,912,211

Cash and balances with Saudi Central bank (SAMA), due from banks, due to banks and other financial assets and liabilities are assumed to have fair values that reasonably approximate their corresponding carrying values due to their short-term nature.

Investment securities in Level 2 and Level 3 valued based on other valuation techniques comprise discounted cash flow techniques or other valuation methodologies.

No transfers out of the level 3 measurement classification occurred during the period ended 31 December 2023 and 2022.

The Group's financial instruments are accounted for under the historical cost method with the exception of trading securities, equity investment securities and derivative financial instruments, which are accounted for at fair value. The fair value represents the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Differences therefore can arise between book values under the historical cost method and fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operation or to undertake a transaction on adverse terms.

Generally accepted methods of determining fair value include reference to quoted prices (level 1 measurement) or to the pricing prevailing for similar financial instruments (level 2 measurement) and the use of unobservable inputs in estimation techniques such as discounted cash flow analysis (level 3 measurement).

The valuation methodologies applied are outlined below:

Investment held at FVSI

The fair values of FVSI are based on quoted prices (level 1).

Investment held at FVOCI

The fair values of equity investment at FVOCI are based on quoted prices (level 1) or valuation techniques (level 3).

Loans and advances and customer deposits

The fair values (level 3) of loans on a floating interest rate basis are principally estimated at book value. The fair values (level 3) of impaired loans are estimated at the recoverable amount, measured as the present value of expected future cash flows discounted based on the Group's weighted average discount rate. The fair values of fixed rate / variable loans and deposits are estimated on a discounted cash flow basis utilising discount rates equal to prevailing market rates of interest in the respective currencies for loans of similar residual maturity and credit quality.

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36. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Other on-balance sheet items

The fair values of foreign exchange and derivative financial instruments are based on market prices, discounted cash flow techniques or option pricing models as appropriate. The fair values of all other on-balance sheet assets and liabilities approximate their respective book values due to their short-term nature.

Credit-related contingent items

There was no material fair value excess or shortfall in respect of credit-related off-balance sheet financial instruments, which include commitments to extend credit, standby letters of credit and guarantees, as the related future income streams reflected contractual fees and commissions actually charged at the consolidated statement of financial position date for agreements of similar credit standing and maturity. Impairment provisions made in respect of individual transactions where a potential for loss has been identified are included in provisions for the impairment of loans and advances.

Sensitivity of the movement in the fair value of financial instruments in the level 3 category is assessed as not significant to other comprehensive income or total equity.

37. CAPITAL RISK MANAGEMENT

The Bank actively manages its capital base to cover the risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision including the framework and guidance regarding the implementation of capital reforms under Basel III ("Basel III Accord") which has been adopted by the Bank's regulator, SAMA. The Basel III capital ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding a minimum level of regulatory capital and maintaining a ratio of total regulatory capital to risk-weighted assets ("RWA") at or above 10.5%, including a capital conservation buffer (2.5%).

The Group monitors the adequacy of its capital using the methodology and ratios established by SAMA. Various committees have been established by the bank which also monitors the capital adequacy. These ratios measure capital adequacy by comparing the Group's eligible capital with its assets, commitments and contingencies, and notional amounts of derivatives at a weighted amount to reflect their relative risk.

38. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA. The Group uses the exemptions in respect of related parties' disclosures for government-related entities in IAS 24 "Related Party Disclosures". Transactions with related parties which are considered individually significant are included below. The balances and transaction related to government related entities are also disclosed in following figures.

(i) The balances as at 31 December resulting from such transactions included in the consolidated financial statements are as follows:

	2023	2022
Gulf International Bank BSC, its subsidiaries and branches:		
Due from banks and other financial institutions	**72,082**	542,512
Due to banks and other financial institutions	**123,725**	947,137
Other assets	**51,741**	127,147
Other liabilities	**141,647**	145,020
Public Investment Fund and its related entities:		
Loans and advances	**3,423,463**	2,841,875
Customers' deposits	**8,803,467**	10,296,798
Investments	**525,731**	407,245

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38. RELATED PARTY TRANSACTIONS (continued)

(ii) Off-balance sheet balances are as follows:

	2023	2022
Gulf International Bank BSC, its subsidiaries and branches:		
Derivatives	**9,873,330**	12,004,034
Contingencies and commitments	**1,621,904**	1,380,255
Public Investment Fund and its related entities:		
Derivatives	**851,193**	2,457,918
Contingencies and commitments	**4,595,676**	3,698,700

(iii) Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2023	2022
Gulf International Bank BSC, its subsidiaries and branches:		
Special commission income	**9,380**	1,477
Special commission expense	**13,093**	7,768
Fees and commission income and expense, net	**955**	318
Public Investment Fund and its related entities:		
Special commission income	**170,957**	76,166
Special commission expense	**245,139**	161,685
Fees and commission income and expense, net	**37,023**	26,731

(iv) The total amount of compensation paid to directors and key management personnel during the year is as follows:

	Note	2023	2022
Gulf International Bank BSC, its subsidiaries and branches:			
Special commission income	27	**28,168**	21,512
Special commission expense		**5,459**	3,171
Fees and commission income and expense, net	30	**7,088**	6,556

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(AMOUNTS IN SAR'000)

39. CAPITAL ADEQUACY

As part of the latest SAMA guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures, Banks are now allowed to add-back up to 100% of the transitional adjustment amount to Common Equity Tier 1 (CET1) for the full two years' period comprising 2021 and 2022 effective from 31 March 2021 financial statement reporting. The add-back amount must be then phased-out on a straight-line basis over the subsequent 3 years. These revised transitional arrangements to the Group's Tier 1 and Tier 1 + 2 ratio have no significant impact on the Group.

The current period numbers are presented as per Basel III final reform issued by SAMA (circular number 44047144) effective from 1 January 2023, while the prior period is based on Basel III regulations.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk.

	2023	2022
Risk-weighted exposure		
Credit risk RWA	**40,200,319**	34,974,262
Operational risk RWA	**1,217,537**	1,361,785
Market risk RWA	**2,784,820**	459,678
Total risk-weighted exposure	**44,202,676**	36,795,725
Regulatory capital base		
Tier I capital	**7,409,183**	7,182,483
Tier II capital	**1,796,088**	250,361
Total regulatory capital base	**9,205,271**	7,432,844
Capital adequacy ratios		
Tier I ratio	**16.76%**	19.52%
Total ratio	**20.83%**	20.20%
Tier I + Tier II ratio	**20.83%**	20.20%

40. PROFIT SHARING INVESTMENT ACCOUNTS

(a) Analysis of PSIA income according to types of investments and their financing

As of 31 December 2023, all joint financing is funded by comingled pool which includes funds from Unrestricted Investment Accountholder:

	2023
Gross Financing by type of contract:	
Murabaha	**15,933,708**
Ijarah	**141,112**
Total financing	**16,074,820**

(b) The basis for calculating and allocating profits between the bank and the IAHs;

	2023
Total pool Income from Financing and placements	**1,103,635**
Pool Income	**1,103,635**
Mudarib fee	**(131,071)**
Movement to or from PER/IRR	**-**
Total amount paid to IAH Mudaraba	**(133,960)**
Total amount attributable to shareholders pool	**838,604**

	2023
Bank's Share in %	**75.99%**
Investment Account Holder's Share %	**24.01%**
Bank's Share including Mudarib fee	**969,675**
Investment Account Holder's Share	**133,960**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

(AMOUNTS IN SAR'000)

40. PROFIT SHARING INVESTMENT ACCOUNTS (continued)

(c) the equity of the IAHs at the end of the reporting period:

	2023
Investment account holders balance before profit	3,268,024
Add: profit for the IAH during the year	133,960
Less: profit paid out during the year	(133,960)
Total value of Investment Account Holders before share of profits and before the fair value reserves	3,268,024
Share in fair value reserve	-
Other movement {(Customers in / (out) / Change in account balances)}	223,532
Total equity for Investment Account Holders	3,491,556

(d) Basis for determining any PER or IRR

Profit equalization reserve (PER) is created by appropriating a specific amount out of the profits earned on the commingled pool of assets before the allocation to shareholders and unrestricted investment account holders. The amounts appropriated to PER reduce the profits available for distribution to both categories of investors, shareholders and investment account holders.

PER allows Bank to mitigate considerably their exposure to displace commercial risk. PER collectively belongs to investment account holders and shareholders for smoothing their profit payouts. While the purpose of these reserves is to enhance the profit payout to IAH in periods when the assets in an Bank's asset pool have underperformed, it is also the case that a PER can be used for smoothing or enhancing dividend payouts to shareholders if so desired by the management.

Investment risk reserve (IRR) is created by setting aside amounts out of the profit attributable to investment account holders, after deducing the Mudarib share, in order to cushion the effects of future investment losses on investment account holders. The IRR enables the Bank's to cover, fully or partially, unexpected losses on investments. Where the losses are fully covered, use of PER may enable a profit payout to be made to the IAH notwithstanding the loss.

With regard to both the PER and IRR, IAH agree in advance in the contract that regulates their relationship with Bank, that a proportion of their income may be appropriated to each of these reserves. This amount is determined by the management of the Bank at their discretion. As per the current profit distribution, management believes that we have sufficient buffer in the revenues generated from the pool, to pay the expected profit rates to profit sharing investment account holders, and hence also protect the capital of the investment account holders, from any possible losses. The management will continue to monitor and would create reserves in future, if required. keeping in view the profitability of the mudaraba pool, to create any further buffer needed, to continue to pay the expected profit rates to the investment account holders, while keeping the capital of the investment account holders protected for any possible losses.

The profit equalization reserve (PER) and investment risk reserve (IRR) are techniques and to cushion the effect of any possible future investment losses which are used to manage and mitigate below risk faced by Bank.

Displaced commercial risk

Rate of return risk can give rise to displaced commercial risk. Bank may be under pressure to pay a return that is above the rate earned on assets to match the competitors' rates. Bank cannot provide their customers fixed guaranteed returns on their deposits or investments. Instead, they follow risk/return sharing model. However, in practice, investment account holders are likely to expect competitive returns. This lead to displaced commercial risk for Banks. It is vital for Banks to effectively manage their displaced commercial risk to be able to compete with their conventional counterparts. To mitigate displaced commercial risk, Banks may decide to waive their portions of profits and thus dissuade investment account holders from withdrawing funds. However, the practice of foregoing part or all of shareholders' profits can adversely affect the bank's own capital which can lead to insolvency in extreme cases.

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(AMOUNTS IN SAR'000)

41. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

Management has completed the Group's overall transition activities through engagement with various stakeholders to support an orderly transition and concluded on the transition plan for the exposures not yet transitioned to alternate benchmark interest rates. The Group was exposed to the effects of USD LIBOR reform on its financial assets and liabilities, as set out within the table below as of 31 December 2022. However, during the year ended 31 December 2023, the group had transitioned to an alternative interest rate benchmark.

USD LIBOR ***31 December 2023***	**Non- derivative financial assets' carrying value**	**Non-derivative financial liabilities' carrying value**	**Derivatives' nominal amount**
LIBOR USD (1 months)	-	-	-
LIBOR USD (3 months)	-	-	-
LIBOR USD (6 months)	-	-	-
LIBOR USD (12 months)	-	-	-
	-	-	-

USD LIBOR *31 December 2022*	Non- derivative financial assets' carrying value	Non-derivative financial liabilities' carrying value	Derivatives' nominal amount
LIBOR USD (1 months)	57,075	-	-
LIBOR USD (3 months)	141,288	30,000	2,204,557
LIBOR USD (6 months)	358,467	-	1,820,250
LIBOR USD (12 months)	51,382	-	-
	608,212	30,000	4,024,807

42. INVESTMENT MANAGEMENT AND BROKERAGE SERVICES

The Group through its subsidiary (GIB Capital Company), manages private investment portfolios on behalf of customers with managed assets totalling SAR 7.18 billion (2022: SAR 11.66 billion). This includes funds managed under Shari'ah approved portfolios amounting to SAR 2.28 (2022: SAR 2.99).

43. EVENTS AFTER THE REPORTING DATE

There were no significant events between the reporting and authorisation date of these consolidated financial statements, which requires adjustment or disclosure in these consolidated financial statements.

44. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on 15 February 2024G (corresponding to 5 Sha'ban 1445H).

Basel 3 Pillar 3 Disclosures

As at 31st December 2023

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Basel 3 Pillar 3 Disclosures

As at 31st December 2023

1. KM1: Key metrics

	SAR 000's	a 31-Dec-2023	b 30-Sep-2023	c 30-Jun-2023	d 31-Mar-2023	e 31-Dec-2022
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	7,409,183	7,376,911	7,317,722	7,241,248	7,182,483
1a	Fully loaded ECL accounting model					
2	Tier 1	7,409,183	7,376,911	7,317,722	7,241,248	7,182,483
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital	9,205,271	7,634,091	7,546,845	7,460,456	7,432,844
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	44,202,676	43,120,891	42,277,430	39,252,010	36,795,725
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.8%	17.1%	17.3%	18.4%	19.5%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	Tier 1 ratio (%)	16.8%	17.1%	17.3%	18.4%	19.5%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	20.8%	17.7%	17.9%	19.0%	20.2%
7a	Fully loaded ECL accounting model total capital ratio (%)					
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.0%	0.1%	0.1%	0.1%	0.1%
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.5%	2.6%	2.6%	2.6%	2.6%
12	CET1 available after meeting the bank's minimum capital requirements (%)	6.2%	6.6%	6.8%	7.9%	9.0%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	60,577,513	60,686,700	58,753,572	58,118,301	52,853,923
14	Basel III leverage ratio (%) (row 2 / row 13)	12.2%	12.2%	12.5%	12.5%	13.6%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)					
	Liquidity Coverage Ratio					
15	Total HQLA	14,291,924	15,591,358	11,725,124	16,188,275	10,894,229
16	Total net cash outflow	7,045,938	8,301,787	2,534,653	6,302,301	3.493,627
17	LCR ratio (%)	202.8%	187.8%	462.6%	256.9%	311.8%
	Net Stable Funding Ratio					
18	Total available stable funding	27,969,667	27,983,578	25,169,153	24,460,597	24,348,193
19	Total required stable funding	19,327,423	17,456,389	17,957,045	17,487,833	17,777,873
20	NSFR ratio	144.7%	160.3%	140.2%	145.6%	136.9%

Basel 3 Pillar 3 Disclosures

As at 31st December 2023

2. OVA - Bank risk management approach

a) Business model and risk profile

The activities of the Gulf International Bank- Saudi Arabia (the Bank) were initially carried out as a foreign branch of Gulf International Bank B.S.C., a Bahraini shareholding company incorporated in the Kingdom of Bahrain.

Effective from 27 Rajab 1440 (corresponding to 3rd April 2019), the foreign branch was converted to a Saudi Closed Joint Stock Company with the same commercial registration number (2052001920).

The Bank is principally engaged in the provision of wholesale, commercial and retail banking services. The Bank also provides customers with non-interest based banking products which are approved and supervised by an independent Shariah Board. The Bank is organized into following main operating segments:

- Wholesale banking: the provision of wholesale commercial financing and other credit facilities for corporate and institutional customers.
- Treasury: the provision of a broad range of treasury and capital market products and services to corporate and financial institution clients, money market, proprietary investment and trading activities and the management of the Bank's balance sheet, including funding.
- Consumer Banking: the provision of retail banking services.

The Bank adopts a holistic view of risks by understanding risks on an enterprise wide basis analysed through a top-down (risk aggregation) and a bottom-up (risk decomposition) approach. Risk aggregation takes a portfolio view of risks aggregated across the Bank's business units taking due consideration of the portfolio effects and correlation of risks prior to determination of the management approach to each single risk. This approach provides guidance to allow balancing risk and reward optimally. Moreover, Risk decomposition ensures a comprehensive identification and prioritisation of all material risks and the definition and implementation of risk policies and processes that control daily decision making throughout the Bank. This approach enables employees to make the right risk-return trade-offs in day-to-day activities.

Overall risk management strategy approved by the Board of Directors (BOD) is based on the following three pillars:

Risk governance: defines the roles and responsibilities with respect to interaction among different stakeholders in the Bank;

Risk policies: include a range of policies encompassing all risk-taking businesses, which are updated and reviewed regularly. These policies ensure institutionalization of rules and conduct, delegation of authorities and decision rights, risk appetite and internal capital adequacy assessment and plan in accordance with applicable regulatory requirements; and

Risk practices: maintain an up to date risk register, carry regular portfolio reviews and ensure various Board and senior management level risk reporting.

b) The Risk Governance structure

The Bank has established a robust risk governance structure within the Bank's Risk Strategy to ensure that all material risks are managed and mitigated. The Bank maintains a prudent and disciplined approach to risk taking by upholding a well thought out Risk Appetite Statement, comprehensive set of risk management policies and processes which involve professionally qualified risk personnel with appropriate skills. Below are the principal elements of the Bank's risk governance structure:

i. The Board of Directors (BoD) are responsible for the strategic direction of the Bank and for oversight of the bank's affairs including identifying, assessing, communicating and monitoring risks on an enterprise-wide basis, while striking a balance between the risk appetite and the business strategy of the Bank in line with the industry best practice and regulatory expectations;

ii. The BoD delegates some of its supervisory responsibilities to the Board Risk Policy Committee (BRPC) which assist the BoD in reviewing the risk profile of the Bank, establishing the Risk Management Framework and relevant controls, reviewing the risk appetite, policies, and overall limits and parameters within which the Bank conducts its business;

iii. At management level, the Bank has a dedicated Risk Management function independent of business units headed by the CRO, who reports to the CEO and is a member of the following committees:
   - The Management Committee (MC), chaired by the Chief Executive Officer (CEO), which has the primary responsibility for sanctioning risk taking policies and activities within the tolerance defined by the Board;
   - The Saudi Risk Management Committee (SRMC), chaired by the Chief Risk Officer (CRO), the Assets and Liabilities Committee (ALCO) chaired by the Chief Financial Officer (CFO), and the Operational Risk Committee (ORC) chaired by the CRO which assist the CEO in risk management oversight; and
   - The Credit Committee which is responsible for approving credit applications within their delegated limits; and
   - The Investment Committee which is responsible for reviewing the investment portfolio and approving potential investment opportunities applications within their delegated limits;

iv. From a control perspective, the process of risk management is facilitated through a set of independent functions i.e. Risk Management (Wholesale Credit Risk Management, Retail Risk Management, Operational Risk Management, and Information Security, Enterprise Risk Management & Analytics and Economics Units) and Balance Sheet Management (Liquidity Risk Management and Market Risk Management).

Basel 3 Pillar 3 Disclosures

As at 31st December 2023

2. OVA - Bank risk management approach (continued)

Wholesale Credit Risk Management is responsible for the active management of the Bank's Wholesale credit risk exposure and the monitoring of it in accordance with a well-defined credit risk appetite, limits and parameters. The Bank bases its decisions for an individual counterparty on a thorough analysis that includes considerations for Bank's exposure to that counterparty.

Retail Risk Management is responsible for the development and maintenance of an effective partnership with Retail Banking to ensure proper implementation of the Retail Credit Risk Policies including granting, rating, monitoring and collection policies. In doing so, the function ensures that the Bank's retail banking credit portfolio quality stays within the risk appetite of the Bank as well as complies with internal and regulatory Risk Compliance of product programs.

Operational Risk Management plays on-going active role in identifying, assessing, prioritising, managing and mitigating operational risk within the Bank in line with the Operational Risk Framework under the oversight of the Operational Risk Committee.

Information Security strives to safeguard the Bank against internal and external threats to its assets, intellectual property, computer systems, data and equipment through protecting the Bank's information assets for internal and external threats, whether deliberate or accidental, ensuring compliance with regulatory and industry standards and providing support for Disaster Recovery and Business Continuity.

Enterprise Risk Management and Analytics is responsible for maintaining the Bank's risk management policies, stress testing, framework and methodologies, providing input into setting the risk appetite of the Bank as well as monitoring adherence to internal limits/ triggers and compliance with ratios as instructed by regulators, in addition to maintaining alignment with the Bank's Risk Appetite.

Economics is an integral part of the risk governance structure as it is responsible for an effective risk management tool that feeds into shaping the Bank's overall portfolio. The function conducts reviews of industry segments and countries and provides input into the concentration limits by utilising recent economic data and industry reports available in the public domain and/ or issued by external rating or other agencies..

Balance Sheet Management ensures compliance with regulatory standards for capital management and market and liquidity risk by managing the implementation of the capital planning, capital management and capital allocation process, monitoring market risks, maintaining liquidity management and contingency funding strategies to ensure continued viability and funding of the Bank in a time of crisis in line with the limits set in the risk appetite, given GIB's profile of retail and wholesale deposits.

c) Channels to communicate, decline and enforce the risk culture

Effective Risk Management involves the strategic implementation of a clearly defined three lines of defence risk management framework in accordance with generally accepted best practices. This practice promotes risk culture and facilitates risk communication channels between Business and control functions. The three lines are as follows:

First Line of Defence: Business units - take risks and are responsible and accountable for their ongoing management. This includes identifying, assessing and reporting exposures taking into account risk appetite and Bank policies and controls;

Second Line of Defence: Oversight functions - includes independent risk management processes which monitor, report and oversee the business lines risk taking activities, assessing risks critically rather than purely carrying out a surveillance function. The second line also includes a compliance function which is independent of business lines and has direct access to the Board Audit Committee. The second line of defence also promotes a sound culture of risk management and compliance by supporting and training managers and employees in different areas of the business; and

Third Line of Defence: Independent Assurance - consists of an independent internal audit assurance function which is not involved in developing, implementing or operating the risk management framework. Its independence is enhanced by the fact that it reports to the Board Audit Committee.

The Bank's BoD and Management view risk culture as a critical component of the Bank's Enterprise-Wide Risk Management Framework. The Bank's corporate governance, risk management approach, compliance standards, policies and procedures, training activities, performance measures, and human resource management systems are critical to successfully embedding a sound risk culture within the Bank.

The key drivers for embedding risk culture within GIB include the following:

- Strong leadership, commitment and engagement across the organisation;
- Common understanding of the Risk Strategy, a well-defined Risk Appetite to set the boundaries for decision making;
- Strong communication among businesses, senior management and the BoD;
- Strong and independent Risk Management function;
- Incentives and disincentives for adhering to/ violating risk management processes and policies;
- Employee compensation aligned to take account of the Bank's risk-weighted performance; and
- Realistic and well understood performance targets.

Basel 3 Pillar 3 Disclosures

As at 31st December 2023

2. OVA - Bank risk management approach (continued)

d) The scope and main features of risk measurement systems

The Bank has implemented systems, processes, policies and methodologies allowing for timely and effective assessment and mitigation of potential risks. This aims to provide enterprise-wide Risk Management data in a consistent and timely manner.

Risk Capital

The Bank focuses on maintaining a strong capital base, in particular Tier 1 capital, as it represents the core capital. Strong capital base is vital to maintain investor, creditor and market confidence in the Bank's solvency and financial strength, maintain a sound external credit rating that is critical for the Bank's access to liquidity and for pricing of its long-term funding; and sustain the future development of the business.

The Bank manages its capital structure and makes adjustments to it taking account of changes in the macro-economic conditions and strategic business plans while basing the capital requirements on the Bank's risk profile. The key risks comprise of

a) Pillar 1 risks including credit risk, market risk and operational risk;

b) Risks not fully covered under Pillar 1 including residual risk arising from the use of credit risk mitigation and securitisation;

c) Pillar 2 risks including concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk and reputation risk; and

d) Risk factors external to the Bank including risks which may arise from the regulatory, economic or business environment and which are not included in the above-mentioned risks.

Different methodologies are utilised to estimate the capital in line with industry best practices.

The Internal Capital Adequacy Assessment Process (ICAAP) incorporates a review and evaluation of risk management and capital relative to the risks to which the bank is exposed. The Bank's capital assessment has been developed around its economic capital framework which is designed to ensure that the bank 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 The Bank's risk management, from the daily management of more material risks to the strategic capital management of the Group.

In addition, in an attempt to integrate risk and business strategy, Risk adjusted return on capital (RAROC) is used as a measure to gauge how effectively a transaction or business unit is able to use capital to cover risk. The main functions of RAROC in the Bank is to measure the profitability of business units, transactions and customers on a risk adjusted basis, serve as a tool to compare the profitability of business segments on a like-for-like basis and thereby helps Management decide how much capital should be allocated to each business and aid in precise pricing of products and improves consistency in lending decisions.

Risk rating and Scoring Models

The Bank 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 Bank's Risk-Adjusted Return on Capital (RAROC) performance measurement system. Ratings reflect a one-year time horizon, thereby requiring each customer to be reviewed and re-rated each year as part of the annual review cycle.

Value at Risk (VaR)

A key element in the Bank's market risk management framework is the estimation of potential future losses that may arise from adverse market movements. The Bank utilises Value-at-Risk (VaR) to estimate such losses. The VaR is derived from quantitative models that use statistical and simulation methods that take account of all market rates and prices that may cause a change in a position's value. These include interest rates, foreign exchange rates and equity prices, their respective volatilities and the correlations between these variables.

The VaR takes account of potential diversification benefits of different positions both within and across different portfolios. Consistent with general market practice, VaR is computed for all financial instruments for which there are readily available daily prices or suitable proxies. VaR is viewed as an effective risk management tool and a valuable addition to the non-statistically based limit structure. It permits a consistent and uniform measurement of market risk across all applicable products and activities. Exposures are monitored against a range of limits both by risk category and portfolio and are regularly reported to and reviewed by senior management and the Board of Directors.

Basel 3 Pillar 3 Disclosures

As at 31st December 2023

2. OVA - Bank risk management approach (continued)

Operational Risk Management Framework

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. The management of operational risk has a key objective of minimising 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 operational Risk Management Framework is managed through a workflow system (Risk Nucleus) that ensures that all major operational Risks / losses are appropriately assessed and managed or analysed for further escalation.

e) Process of Risk information reporting provided to the Board and Senior Management

The Bank has developed Management Information (MIS or reports) to facilitate risk awareness and support effective monitoring and decision-making at all levels of the Bank. The MIS helps the Bank's Management to focus on identification of risk issues, develop mitigation plans and monitor to the progress of corrective actions.

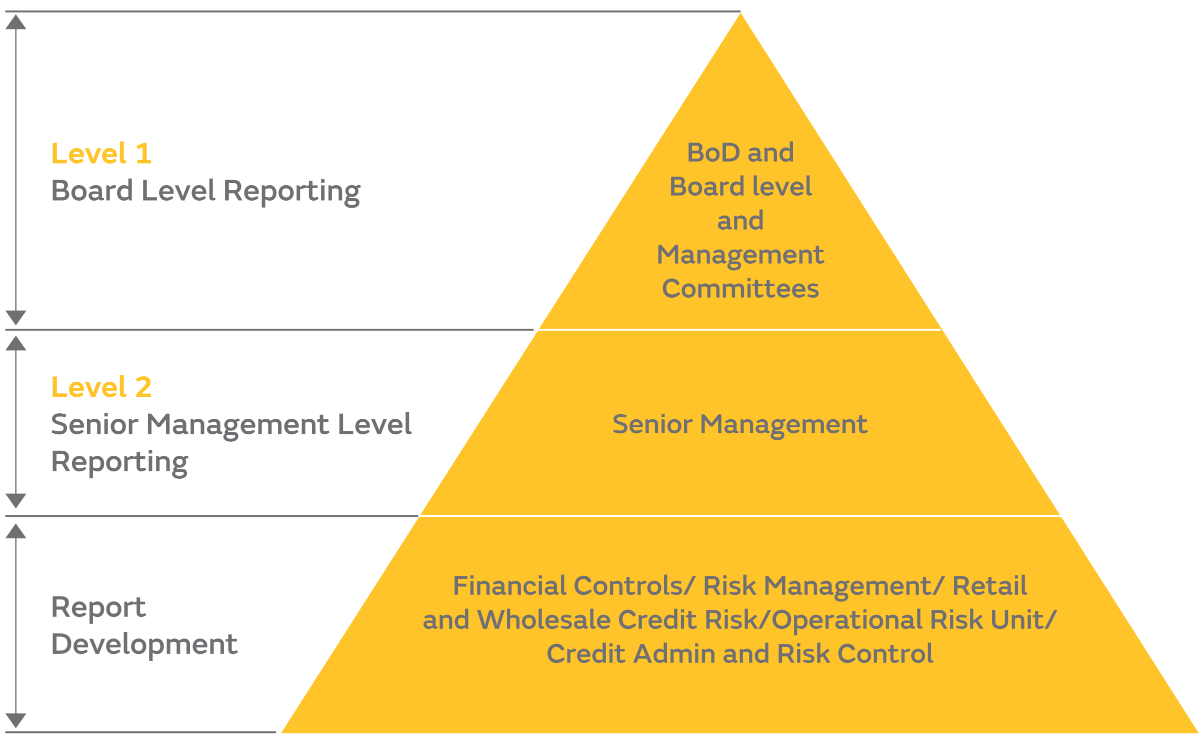
Relevant functions within the Bank produce risk MIS with the support of business or other support units (in terms of providing the necessary data inputs, loss information, results of their risk assessments etc.) for all material risk exposures to enable informed business decision making. In particular, the risk MIS aim to:

- Increase awareness of key risks across the Bank and improve adequacy of underlying control measures;
- Provide early-warning alert mechanisms to ensure that management is made aware of key risk areas of focus;
- Enable management to assess performance against policies, business plans and risk appetite by business, product types etc., including risk-reward considerations; and
- Reinforce GIB's strategic goals through the acceptance of risks consistent with its risk appetite.

The risk MIS are then presented at the following two reporting levels at the Bank:

a) Level 1 reporting to the BoD and its committees; and

b) Level 2 reporting to the Bank's Senior Management.



Basel 3 Pillar 3 Disclosures

As at 31st December 2023

2. OVA - Bank risk management approach (continued)

Quarterly Risk Reports are submitted to the Board and the Senior Management encompassing updates on credit exposure by country, credit rating and industry / concentration, liquidity and market risk positions (VaR), operational risk, information security, strategic risks as well as reports on changes to credit approvals or extension processes, credit risk measurement, market risk measurement and risk control measures. The reports provide an overview to ensure that the Bank has an effective risk management framework in place and that all risk controls operating throughout the Bank are in accordance with the regulatory requirements and best practice standards for management of risks in banks.

Risk Appetite monitoring is a critical part of the quarterly reporting to the Board and Senior Management. The Bank and its Board of Directors are committed to manage all material risks to which the Bank is exposed specific to its business model / strategy. The Bank has in place a clearly defined Risk Appetite Policy and a Risk Appetite Statement supporting the Policy. This Policy sets the boundaries to be used in assisting the Bank in the decision-making process and managing the existing risks. Risk Management Monitors Risk Appetite Metrics using Risk reports and Risk Dashboards. In addition to reporting to the Board and senior management, in case of breach in Regulatory Risk Appetite metrics, the Bank has process in place to take immediate steps to follow the thresholds stipulated by SAMA, by virtue of formulating an action plan and communicating the same to SAMA.

The **Integrated Stress Testing** framework is linked to the Risk Appetite and forms an integral part of the monitoring and review process. In addition, the Stress Test results are reviewed in light of the Risk Appetite and tolerance levels. Results are presented to the Board for information and the endorsement of any required corrective action.

f) Qualitative information on stress testing

The Bank has in place an integrated stress testing (IST) framework that assists the Bank in gaining an enhanced understanding of the potential stress impact of material risks and to assist in the development and identification of appropriate actions to improve sustainability and profitability given the Bank's exposure to such risks. This IST exercise is aligned to the Bank's overall risk profile and risk strategy.

The purpose of the Bank's IST is to achieve the following goals:

- Develop stress testing framework which is both, plausible and reasonable:
  - The scenarios are applicable to the Bank and the market in which it operates;
  - The results assist the Bank's Senior Management and the Board to develop the Bank's strategy in response to idiosyncratic stress events or potential adverse changes in the economic and regulatory environment;
  - The scenarios reflect coverage of all material risk across the Bank;
  - Secondary effects of stress scenarios are considered; for instance, the Bank considers how the impact of one stress event (i.e. Reputational Risk) may result in other risk areas (i.e. Liquidity Risk); and
  - The results of stress tests provide a consolidated view of the overall stress testing impact at a Bank-wide level.
- IST framework is closely aligned with the Bank's risk management framework including Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Planning (RP);
- Perform dynamic stress testing with a forward-looking approach covering a minimum period of three years projections;
- Cover both quantitative and qualitative aspects of the potential risks that the Bank foresees:
  - Scenarios built on a logical narrative that describes how and why the event has been assumed to occur; and
  - The financial impact of a stress scenario is calculated on Bank's income statement and balance sheet along with reasonable interpretation of results;

g) The strategies and processes to manage, hedge and mitigate risks

The Bank'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 Bank 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 payout or the issue of new shares.

Credit risk mitigation

The Bank uses a variety of credit risk mitigation techniques 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. 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 SAMA's prescribed minimum requirements (such as procedures for the monitoring of market values, insurance and legal certainty) set out in their capital adequacy regulations.

Moreover, The Bank's policy is to provide credit to its customers based on the strength of the customers' repayment capacity and not on the basis of the strength of the collateral. The Bank would take collateral and guarantees from third parties as a form of additional assurance to mitigate risks.

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As at 31st December 2023

2. OVA - Bank risk management approach (continued)

Market risk mitigation

The Bank adopts a Market Risk Management Framework to comply with the Market Risk Strategy that address the policies and guidelines for the key processes underlying the identification, assessment, measurement, monitoring reporting and control of market risk, including:

- Market risk planning and assessment to determine the nature and level of market risk exposure that the Bank is permitted to undertake in light of its strategy and risk appetite and maintains, among other things, a rigorous process of security selection and approval;
- Value-at-risk analysis to provide a comprehensive and consistent measure of the Bank's market risk exposure to adverse market movements;
- Limit management to monitor portfolio concentrations, size of open positions and maximum allowable losses that the Bank could face on those positions;
- Stress testing to assess and manage the risks associated with extreme market movements on the market values of the portfolios;
- Prudent valuation process to determine the mark-to-market or fair values of market risk related financial instruments and derivatives and maintain data quality;
- Pillar 1 and Pillar 2 treatment of market risk to assess and determine the Bank's capital needs in relation to its market risk profile
- Management of Interest rate risk in the Banking Book (IRRBB) that is consistent with the guidance provided by both the BCBS and SAMA, wherein the Bank's risk appetite for IRRBB shall be measured in terms of both Economic Value of Equity (EVE) and Earnings at Risk (EAR);
- Monitoring and comprehensive reporting for on-going management information on The Bank's market risk profile to the BoD and Senior Management.

Liquidity risk mitigation

The Bank 's Liquidity Risk Strategy forms a part of the Bank's overarching risk strategy which requires the Bank to provide oversight of liquidity management and contingent funding strategies to ensure the continued viability and funding of the Bank in a time of crisis and it aspires to:

a) Ensure funds are available in line with business expectations under both normal business conditions and extreme conditions caused by unforeseen events;

b) Manage liquidity prudently to meet both financial commitments and facilitate business expansion;

c) Maintain the flexibility to capitalize on market opportunities in normal business conditions;

d) Avoid raising funds at a premium over the market rate or through the forced sale of assets; and

e) Maintain a diversified deposit base avoiding undue dependence on maturity or depositor concentration.

In order to realize the Bank's Liquidity Risk Strategy, the below best practices are adopted:

a) Liquidity Environment Analysis: On-going monitoring of sources of liquidity risk in order to anticipate and identify any internal or external developments that could lead to a potential adverse liquidity event - Customer deposits form a significant part of the Bank's funding. The Bank 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.;

b) Liquidity Forecasting: Projecting the liquidity profile of the Bank in order to identify future funding needs and gaps;

c) Liquidity Limits: Adhering to regulatory requirements, as well as align to the Bank's internal limits, tolerances and risk appetite - The Bank has established approved limits 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 monthly basis by the Assets and Liabilities Committee (ALCO).;

d) Liquid Reserves: Maintaining highly marketable assets that can easily be converted to cash in the event of any unforeseen interruption in cash flows;

e) Stress Testing: Conducting stress testing to measure the effect of abnormal market conditions on the liquidity profile of the Bank; and

f) Contingency Planning: Specifying immediate actions for obtaining replacement funding and alternative funding resources in order to be able to generate sufficient liquidity under critical conditions - 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.

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As at 31st December 2023

3. OV1 - Overview of RWA

		(a)		(c)
		RWA		Minimum capital requirements
	SAR 000's	31 Dec 2023	30 Sep 2023	31 Dec 2023
1	Credit risk (excluding counterparty credit risk)	39,695,579	38,721,043	3,175,646
2	Of which: standardised approach (SA)	39,695,579	38,721,043	3,175,646
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	252,370	396,014	20,190
7	Of which: standardised approach for counterparty credit risk	252,370	396,014	20,190
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	252,370	396,014	20,190
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach			
15	Settlement risk			
16	Securitisation exposures in banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	2,784,820	2,390,283	222,786
21	Of which: standardised approach (SA)	2,784,820	2,390,283	222,786
22	Of which: internal model approaches (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	1,217,537	1,217,537	97,403
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment			
27	**Total** (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)	44,202,676	43,120,891	3,536,215

Point to note:

(i) Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.

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As at 31st December 2023

4. LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 December 2023	a	b	c	d	e	f	g
			Carrying values of items:				
SAR 000's	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Saudi Central Bank (SAMA)	6,667,497	6,667,497	6,667,497				
Due from banks and other financial institutions	2,365,409	2,365,409	2,365,409				
Investments, net	9,105,539	9,108,136	8,825,330			282,806	
Positive fair value of derivatives	316,414	316,414		316,414			
Loans and advances, net	27,299,961	27,564,859	27,564,859				
Other assets	465,410	465,410	465,410				
Furniture, fixtures and equipment, net	58,668	58,668	58,668				
Right-of-use assets, net	233,276	233,276	233,276				
Intangible assets, net	90,608						
Total assets	**46,602,782**	**46,779,669**	**46,180,449**	**316,414**		**282,806**	
Liabilities							
Due to banks and other financial institutions	3,856,211	3,856,211					3,856,211
Customers' deposits	32,105,619	32,105,619					32,105,619
Negative fair value of derivative financial instruments	250,613	250,613					250,613
Subordinated debt	1,504,072	0					0
Other liabilities	1,140,276	1,115,755					1,115,755
Lease liabilities	246,200	246,200					246,200
Total liabilities	**39,102,991**	**37,574,398**					**37,574,398**

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As at 31st December 2023

5. LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	31 December 2023	a	b	c	d	e
			Items subject to:			
	SAR 000's	Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	46,779,669	46,180,449		316,414	282,806
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation	46,779,669	46,180,449		316,414	282,806
4	Off-balance sheet amounts	34,171,655	33,866,225		305,430	
5	Differences due to Credit Conversion Factor (CCF)	(21,097,024)	(21,097,024)			
6						
7						
8						
9						
10	**Exposure amounts considered for regulatory purposes**	**59,854,300**	**58,949,650**	**0**	**621,844**	**282,806**

6. LIA: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

There is no significant difference between carrying value as reported in published financial statements and regulatory exposure amounts.

On-Balance sheet exposure is different from published financial statements with respect to IFRS ECL provisions, it is treated as part of Tier II capital for capital adequacy purposes while it is netted against the asset in the published financial statements. In case of off-Balance sheet, total carrying amount is used in published financial statements while the credit equivalent amounts (after applying conversion factors) are used for regulatory capital adequacy purposes.

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As at 31st December 2023

7. CC1: Composition of regulatory capital

	31 December 2023	a	b
	SAR 000's	Amounts	Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	7,500,000	
2	Retained earnings	520	
3	Accumulated other comprehensive income (and other reserves)	(729)	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		
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	7,499,791	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		(a) minus (d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	(90,608)	(b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework25)		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined benefit pension fund net assets		
16	Investments in own shares (if not already subtracted from 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, 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 (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		(c) minus (f) minus 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	National 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	(90,608)	
29	Common Equity Tier 1 capital (CET1)	7,409,183	

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As at 31st December 2023

7. CC1: Composition of regulatory capital (continued)

	31 December 2023 SAR 000's	a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
	Additional Tier 1 capital: instruments		
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		
	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, 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		
41	National 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)		
45	Tier 1 capital (T1 = CET1 + AT1)	7,409,183	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	1,500,000	
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)		
49	Of which: instruments issued by subsidiaries subject to phase-out		
50	Provisions	296,088	
51	**Tier 2 capital before regulatory adjustments**	1,796,088	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		

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As at 31st December 2023

7. CC1: Composition of regulatory capital (continued)

	31 December 2023 SAR 000's	a Amounts	b Source based on reference numbers/ letters of the balance sheet under the regulatory scope of consolidation
56	National specific regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital		
58	Tier 2 capital (T2)	1,796,088	
59	Total regulatory capital (TC = T1 + T2)	9,205,271	
60	Total risk-weighted assets	44,202,676	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	16.8%	
62	Tier 1 (as a percentage of risk-weighted assets)	16.8%	
63	Total capital (as a percentage of risk-weighted assets)	20.8%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.5%	
65	Of which: capital conservation buffer requirement	2.5%	
66	Of which: bank-specific countercyclical buffer requirement	0.0%	
67	Of which: higher loss absorbency requirement		
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	6.2%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		
73	Significant investments in the common stock of financial entities		
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)	296,088	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	552,533	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
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)		

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8. CC2 – Reconciliation of regulatory capital to balance sheet

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 Dec 2023	As at 31 Dec 2023	
Assets			
Cash and balances with the Saudi Central Bank (SAMA)	6,667,497	6,667,497	
Due from banks and other financial institutions	2,365,409	2,365,409	
Investments, net	9,105,539	9,108,136	
Positive fair value of derivatives	316,414	316,414	
Loans and advances, net	27,299,961	27,564,859	
Other assets	465,410	465,410	
Furniture, fixtures and equipment, net	58,668	58,668	
Right-of-use assets	233,276	233,276	
Intangible assets, net	90,608	-	
Total assets	**46,602,782**	**46,779,669**	
Liabilities			
Due to banks and other financial institutions	3,856,211	3,856,211	
Customers' deposits	32,105,619	32,105,619	
Negative fair value of derivative financial instruments	250,613	250,613	
Subordinated debt	1,504,072	-	
Other liabilities	1,140,276	1,115,755	
Lease liabilities	246,200	246,200	
Total liabilities	**39,102,991**	**37,574,398**	
Shareholders' equity			
Share capital	7,500,000	7,500,000	
Statutory reserve	1,753	1,753	
Fair value reserve	(2,482)	(2,482)	
Retained earnings / (accumulated losses)	520	520	
Intangible assets	-	(90,608)	
Tier II Capital	-	1,796,088	
Total Liabilities & shareholders' equity	**46,602,782**	**46,779,669**	

9. CDC: Capital distribution constraints

		a	b
		CET1 capital ratio that would trigger capital distribution constraints (%)	Current CET1 capital ratio (%)
1	CET1 minimum requirement plus capital buffers (not taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	7.00%	16.76%
2	CET1 capital plus capital buffers (taking into account CET1 capital used to meet other minimum regulatory capital/ TLAC ratios)	7.04%	16.76%
		Leverage ratio that would trigger capital distribution constraints (%)	Current leverage ratio (%)
3	[Applicable only for G-SIBs] Leverage ratio	N/A	N/A

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10. CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

		a	b
		Quantitative/ qualitative information	Quantitative/ qualitative information
1	Issuer	Gulf International Bank - Saudi Arabia	Gulf International Bank - Saudi Arabia
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA	SA15UFK0K430
3	Governing law(s) of the instrument	Kingdom of Saudi Arabia Laws	Kingdom of Saudi Arabia Laws
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	NA	NA
4	Transitional Basel III rules	Common Equity Tier 1	Tier 2 Capital
5	Post-transitional Basel III rules	Common Equity Tier 1	Tier 2 Capital
6	Eligible at solo/group/group and solo	Group and Solo	Group and Solo
7	Instrument type (types to be specified by each jurisdiction)	Paid-up Share Capital	Subordinated debt
8	Amount recognised in regulatory capital (currency in thousands, as of most recent reporting date)	SAR 7,500,000	SAR 1,500,000
9	Par value of instrument	SAR 7,500,000	SAR 1,500,000
10	Accounting classification	Equity	Liability
11	Original date of issuance	3-Apr-19	19-Dec-23
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No Maturity	19-Dec-33
14	Issuer call subject to prior supervisory approval	NA	Yes
15	Optional call date, contingent call dates and redemption amount	NA	19-Dec-28
16	Subsequent call dates, if applicable	NA	NA
	Coupons / dividends		
17	Fixed or floating dividend/coupon	NA	Floating
18	Coupon rate and any related index	NA	3-month SAIBOR + 1.2%
19	Existence of a dividend stopper	NA	NA
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step-up or other incentive to redeem	NA	NA
22	Non-cumulative or cumulative	NA	NA
23	Convertible or non-convertible	NA	NA
24	If convertible, conversion trigger(s)	NA	NA
25	If convertible, fully or partially	NA	NA
26	If convertible, conversion rate	NA	NA
27	If convertible, mandatory or optional conversion	NA	NA
28	If convertible, specify instrument type convertible into	NA	NA
29	If convertible, specify issuer of instrument it converts into	NA	NA
30	Writedown feature	NA	NA
31	If writedown, writedown trigger(s)	NA	NA
32	If writedown, full or partial	NA	NA
33	If writedown, permanent or temporary	NA	NA
34	If temporary write-own, description of writeup mechanism	NA	NA
34a	Type of subordination	NA	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA	NA
36	Non-compliant transitioned features	NA	NA
37	If yes, specify non-compliant features	NA	NA

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11. CCyB1 – Geographical distribution of credit exposures used in the countercyclical capital buffer

SAR 000's	a	b	c	d	e
		Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
Geographical breakdown	Countercyclical capital buffer rate	Exposure values	Risk-weighted assets		
GCC & ME	2.50%	1,215,561	666,848		
Europe	0.94%	198,024	55,362		
South E. Asia	0.13%	1,073,038	953,545		
North America	0.00%	672,896	201,359		
Sum		3,159,519	1,877,114		
Total		43,110,887	42,921,857	0.04%	18,407

12. LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

	SAR 000's	a
1	Total consolidated assets as per published financial statements	46,602,782
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	18,265
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off balance sheet exposures)	14,047,074
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	(90,608)
13	**Leverage ratio exposure measure**	**60,577,513**

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13. LR2 - Leverage ratio common disclosure

		a	b
	SAR 000's	31 Dec 2023	30 Sep 2023
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	46,553,864	46,799,861
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)	(267,495)	(227,590)
6	(Asset amounts deducted in determining Basel III Tier 1 capital)	(90,608)	(77,895)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**46,195,761**	**46,494,376**
Derivative exposures			
8	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	163,114	309,356
9	Add-on amounts for PFE associated with all derivatives transactions	141,564	173,583
10	(Exempted CCP leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives	30,000	30,006
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivative exposures (sum of rows 4 to 10)**	**334,678**	**512,945**
Securities financing transaction exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	CCR exposure for SFT assets		
17	Agent transaction exposures		
18	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**-**	**-**
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount	33,866,225	32,207,511
20	(Adjustments for conversion to credit equivalent amounts)	(19,723,753)	(18,442,464)
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	(95,398)	(85,668)
22	**Off-balance sheet items (sum of rows 17 to 18)**	**14,047,074**	**13,679,379**
Capital and total exposures			
23	Tier 1 capital	7,409,183	7,376,911
24	**Total exposures (sum of rows 3, 11, 16 and 19)**	**60,577,513**	**60,686,700**
Leverage ratio			
25	Basel III leverage ratio	12.23%	12.16%
26	National minimum leverage ratio requirement	3.00%	3.00%

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14. LIQA - Liquidity Risk Management:

a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.

The Bank has a Board approved Liquidity Risk Management Policy (LRMP) that sets out the principles, minimum standards, risk appetite, approach and the key roles and responsibilities of the Board of Directors (BoD) and the Senior Management in relation to the liquidity risk management in the Bank. The BoD delegates some of its supervisory responsibilities to the Board Risk Policy Committee (BRPC) which assist the BoD in reviewing the risk profile of the Bank, establishing the Risk Management Framework and relevant controls, reviewing the risk appetite, policies, and overall limits and parameters within which the Bank conducts its business. The Assets and Liabilities Committee (ALCO) chaired by the Chief Financial Officer, and include Chief Risk Officer, Head of Corporate Banking, Head of Retail Banking, Head of Market and Liquidity Risk, and Head of Treasury as members. ALCO regularly monitors the liquidity risk profile of the Bank and periodically reviews information to understand and assess the liquidity risk exposure, including the composition, maturity characteristics and diversification of the liquidity resources.

Treasury has the overall responsibility for managing the status of liquidity on a day-to-day basis and meeting short-term cash flow and manage funding requirements within ALCO approved limits.

The Bank has identified the following risk appetite metrics to assist in measuring the liquidity risk exposure.

a) Liquidity Coverage Ratio: The measure of the Bank's short-term resilience in facing stressed conditions for a period of up to one month

b) Net Stable Funding Ratio: The measure of the Bank's long-term resilience in facing stressed conditions for periods beyond one year

c) Liquidity Gap Limits: Then Bank has established liquidity gap limits based on the projected balance sheet and behavioural assumptions

d) Survival Time Horizon: The period in which the Bank shall be able to survive without resorting to external funding based on cash flow assumptions approved by ALCO

e) Stress Testing: The Bank conducts stress testing on a frequent basis to assess the liquidity risk associated with stress events

f) Fund Raising Capacity from Liquidity Reserve: The Bank's ability to raise funding within a short period at an acceptable cost through the utilisation of the Bank's liquidity reserve

g) SAMA's Liquidity Ratio: Ensures that the 20% of the customer deposits are always maintained in short dated placements, treasury bills and government Bonds

h) Loans to Deposits ratio: Ensures that the Bank has adequate customer deposits to fund its loans portfolio

b) Funding Strategy

The Bank's funding strategy is to increase the retail and operational wholesale deposits through its Global Transaction Banking (GTB) and Retail initiatives. Additionally, the Bank also ensures that deposit maturities are not concentrated by ensuring the deposits have an average (remaining) tenor of 90 days. The average tenor of core deposits is monitored by ALCO monthly and reported to the BRPC each quarter.

c) Liquidity risk mitigation techniques

Liquidity risk is the risk that sufficient funds are not available to meet the Bank's financial obligations on a punctual basis as they fall due. The risk arises from the timing differences between the maturity profiles of the Bank'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 Bank, 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 Bank's liquidity controls ensure that, over a medium-term horizon, the future profile of cash flows are adequately controlled through liquidity gap limits. 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.

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14. LIQA - Liquidity Risk Management: (continued)

d) Liquidity Stress Testing

The Bank conducts liquidity stress testing as part of the quarterly BRPC meeting and the ILAAP exercise. The stress tests are conducted under three scenarios; severe, moderate and mild over a time horizon of three months. The impact of liquidity risk factors such as deposit concentration risk, Retail funding risk, Wholesale funding risk and other material risks are assessed to gauge the impact on regulatory ratios.

The stress tests are designed to assess the Bank's liquidity position under the three stress test scenarios in conjunction with the management actions that can be taken (if required) to restore the regulatory ratios within the regulatory guidelines in stressed liquidity situations.

e) Contingency funding plan

A Contingency Funding Plan ("CFP") helps ensure that a bank can prudently and efficiently manage extraordinary and unexpected fluctuations in liquidity during stressed conditions. The Bank's CFP outlines the strategy that addresses the avenues for alternative funding if a liquidity crisis arises. The CFP lays out the procedures and action plan to prepare the bank to deal with the crisis on hand with clear responsibilities, invocation and escalation procedures.

The Bank has formalized procedures related to the management of a liquidity crisis by forming a liquidity crisis management team which is mandated by the Board to implement the action plan to return to business as usual conditions. The Bank also has a comprehensive Board approved early warning indicators (EWIs), activation mandate, action plan including crisis assessment, financial and operational actions.

The Bank conducts testing on a frequent basis which includes funding options, liquidity testing and implementation of communication strategy.

The Bank's Risk Management function and ALCO monitors EWIs and its triggers for signs of internal distress as well as in the banking sector, and other geographic areas, which have the potential to impact the Bank's liquidity and funding.

f) Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.

On Balance

SAR 000s	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	4,873,000				1,794,497	6,667,497
Due from Banks and other financial institutions	2,148,676	30,000			186,733	2,365,409
Investments, net	554,598	2,739,664	1,734,503	3,757,071	319,703	9,105,539
Positive fair value of derivatives	39,627	16,827	228,994	30,966		316,414
Loans and advances, net	3,865,735	2,170,282	20,253,663	1,010,281		27,299,961
Other assets					847,962	847,962
Total assets	**11,481,636**	**4,956,773**	**22,217,160**	**4,798,318**	**3,148,895**	**46,602,782**
Liabilities and equity						
Due to banks and other financial institutions	3,392,275	276,548	62,000		125,388	3,856,211
Customer deposits	8,355,490	2,646,987	1,557,883		19,545,259	32,105,619
Negative fair value of derivatives	38,475	16,244	194,650	1,244		250,613
Subordinated debt		4,072	1,500,000			1,504,072
Lease liabilities	8,344	25,031	100,122	112,703		246,200
Other liabilities					1,140,276	1,140,276
Equity					7,499,791	7,499,791
Total Liabilities and equity	**11,794,584**	**2,968,882**	**3,414,655**	**113,947**	**28,310,714**	**46,602,782**
On Balance sheet Gap	**(312,948)**	**1,987,891**	**18,802,505**	**4,684,371**	**(25,161,819)**	**-**

Off Balance

SAR 000s	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Letters of credit	1,853,819	622,150	3,398		2,479,367
Letters of guarantee	2,385,858	7,055,781	3,625,312	101,124	13,168,075
Acceptances	658,512	846,586	48,884		1,553,982
Irrevocable commitments to extend credit		37,500	3,153,215	2,811,051	6,001,766
Total	**4,898,189**	**8,562,017**	**6,830,809**	**2,912,175**	**23,203,190**

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14. LIQA - Liquidity Risk Management: (continued)

g) Concentration limits on collateral pools and sources of funding (both products and counterparties.

Sources of Funding Distribution	
Deposits from banks	10%
Deposits from customers	82%
Subordinated debt	4%
Other liabilities	4%

15. LIQ1 – Liquidity Coverage Ratio (LCR)

	SAR 000s	Total Unweighted Value	Total Weighted Value
	High-quality liquid assets		
1	**Total HQLA**		14,291,924
	Cash outflows		
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits		
4	Less stable deposits	4,463,961	166,289
5	**Unsecured wholesale funding, of which:**		
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	23,066,249	9,303,635
8	Unsecured debt		
9	**Secured wholesale funding**		
10	**Additional requirements, of which:**		
11	Outflows related to derivative exposures and other collateral requirements	8,695	8,695
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities	3,945,386	394,539
14	**Other contractual funding obligations**		
15	**Other contingent funding obligations**	21,899,582	482,388
16	**TOTAL CASH OUTFLOWS**		10,355,545
	Cash inflows		
17	**Secured lending (eg reverse repos)**		
18	**Inflows from fully performing exposures**	4,300,008	3,299,367
19	Other cash inflows	767,713	10,239
20	**TOTAL CASH INFLOWS**	5,067,720	3,309,607
	Total adjusted value		
21	**Total HQLA**		14,291,924
22	**Total net cash outflows**		7,045,938
23	**Liquidity Coverage Ratio (%)**		**202.84%**

Saudi Central Bank requires banks to maintain minimum LCR of 100%. The Bank's LCR stands at 202.8% as at December 31, 2023

The Bank held 98% of its High-Quality Liquid Assets (HQLA) in the form of cash, placements with central bank and 0% risk weight sovereign securities

The majority of the Bank's weighted cash flows are attributable to the wholesale funding comprising of 65% of outflows; sovereigns, central banks, PSEs and MDBs at 23%, bank deposits at 1% and retail deposits at 2%

As required by the regulator, LCR is monitored for all significant currencies to ensure compliance with liquidity ratios in either currency, these include SAR and USD

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16. LIQ2 – Net Stable Funding Ratio (NSFR)

SAR 000s	Unweighted Value by Residual Maturity			
Available stable funding (ASF)	**< 6 months**	**≥ 6 months to < 1 year**	**≥1 year**	**Weighted Value**
Capital			9,205,271	9,205,271
Retail: Less stable deposits	3,705,948	758,014		4,017,565
Wholesale funding (non-operational deposit)	20,658,859	235,624	1,272,287	11,719,529
Unsecured funding from central banks	8,939,594	276,548	363,689	3,027,302
Unsecured funding from sovereigns/PSEs/MDBs/ NDBs/Others			9,205,271	9,205,271
Total ASF				**27,969,667**
Required stable funding (RSF)				
Coins and banknotes	15,693			
Total central bank reserves	7,916,581			
Unsecured loans to financial institutions	2,366,084			354,913
Securities eligible as Level 1 HQLA	1,351,163	1,801,245	4,192,764	367,259
Securities eligible for Level 2B HQLA	98,677	-	464,829	281,753
Unencumbered loans to non-financial corporate clients with a residual maturity of less than one year	15,758,477	1,897,167		8,827,822
Unencumbered loans to retail and small business customers with a residual maturity of less than one year	133,920	133,389		133,654
Unencumbered performing loans with risk weights greater than 35% under the Basel II standardised approach for credit risk		6,635	7,755,413	6,595,419
Unencumbered Non-HQLA exchange traded equities				
Unencumbered Non-HQLA securities not in default			1,042,563	886,178
Other short-term unsecured instruments and transactions with a residual maturity of less than one year				
Defaulted securities and non-performing loans	1,630,133			815,067
Derivatives assets	157,282	1,365	44,105	202,752
NSFR derivative assets (derivative assets less cash collateral received as variation margin on derivative assets)			280,948	54,854
Required stable funding associated with derivative liabilities			45,219	45,219
All other assets not included in above categories that qualify for 100% treatment	565,264			565,264
Off-balance sheet items	7,846,043	6,245,701	11,753,225	197,269
Total RSF				**19,327,423**
Net Stable Funding Ratio				**144.71%**

- As at December 31, 2023 the Bank held a balance of 33% of its Available Stable Funding (ASF) in form of capital, with a 100% ASF factor. The majority of the remaining balance of ASF was 47% in wholesale funding with 50% ASF factor and 14% in retail deposits with 90% ASF factor
- The Required Stable Funds (RSF) as at December 31, 2023 primarily consisted of performing loans and securities contributing 89% of the RSF, with various RSF factors. The remaining RSF are attributable to HQLA, other assets and off-balance sheet items

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17. ENC – Asset encumbrance

	SAR 000's	a	b	c
	Balance Sheet Assets	Encumbered assets	Unencumbered assets	Total
01	Cash and balances with the Saudi Arabian Monetary Authority (SAMA)		6,667,497	6,667,497
02	Due from banks and other financial institutions		2,365,409	2,365,409
03	Investments held at fair value through statement of income		282,806	282,806
04	Investments held at fair value through other comprehensive income		36,897	36,897
05	Investments held at amortised cost		8,785,836	8,785,836
06	Positive fair value of derivative financial instruments		316,414	316,414
07	Loans and advances, net		27,299,961	27,299,961
08	Other assets		847,962	847,962
	Total		**46,602,782**	**46,602,782**

18. CRA - General qualitative information about credit risk

a) How the business model translates into the components of the Bank's credit risk profile.

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 Bank to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Bank in its banking, investment and treasury activities, both on- and off-balance sheet.

Where appropriate, the Bank 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 Bank exposure to that counterparty and all its related entities.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits.

The Bank has established a framework to identify all activities that might result in credit risk exposure and continues to rigorously manage its exposure to ensure that the Bank addresses the risk of default and consequent loss of earnings and impact on capital.

The credit risk management framework encompasses credit risk governance structure, credit risk appetite, credit risk strategies, credit risk policies and which are fully compliant with the BCBS and SAMA's regulations.

The Bank has a **credit risk governance structure** is in place that oversees credit risk management, supported by individuals and committees who have the appropriate levels of experience, qualifications and competence.

The Bank's risk appetite statement includes the Bank level **credit risk appetite** ensuring diversification and concentration limit thereby embracing credit risk capacity, targets, and tolerance levels and limit structure.

The Bank has developed **credit risk strategies** that shall help in minimising undue concentration and unexpected losses, while maintaining a diversified credit portfolio, effectively protecting the Bank's capital in all market conditions. These strategies clearly articulate and define the product lines and types of credit facilities offered, target markets (customers, industries, countries), portfolio mix, credit granting criteria, credit approving authorities and exceptions reporting.

The Bank has in place clearly articulated **credit risk policies and procedures** to address credit risk in the bank's activities at both individual and credit portfolio level, which reflect the bank's credit culture and ethical standards including credit granting, credit rating, credit monitoring, collateral management and distressed credit.

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18. CRA - General qualitative information about credit risk (continued)

Bank-wide **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 Bank-wide basis in a consistent manner. Overall exposures are evaluated to ensure 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) 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.

Credit Granting and Rating

The Bank has established policies and processes to ensure that the Bank manages credit risk inherent in all products and activities based on the below key guidelines:

a) Risks of new products and activities is subject to adequate risk management procedures and controls and endorsed by the relevant authorized Committee/Senior Management, before being introduced to the market;

b) Credit exposure is subjected to a comprehensive credit review and due diligence;

c) Detailed credit rating methodology based on leading practices is used for assessing the credit worthiness of its obligors;

d) Policy is in place for the acceptance, assessment and management of collateral, where applicable; and

e) Clearly identified process is in place for obtaining credit approvals for new credit, as well as for amendments, renewals and refinancing of existing credit.

Credit Monitoring and Reporting

The Bank has established policies and processes to administer and monitor credit on an individual level and portfolio level, ensuring composition and quality of the credit (portfolio and individual), through the analysis of qualitative and quantitative information and ensuring adequacy of provisions when required;

a) efficient and effective credit administration policies govern monitoring adequacy of documentation, contractual requirements, adequate segregation of duties, adequate controls over all back-office procedures and compliance with prescribed management policies;

b) credit risk exposures are assessed under stressful conditions by conducting appropriate stress testing using different scenarios;

c) Concentration risk is monitored by industry, segment, single obligor, credit rating and geography;

d) framework for early warning indicators is implemented that measures the Bank’s credit risk exposures;

e) Comprehensive procedures and adequate management information systems are in place to support the continuous monitoring and assessment of credit risk at both an individual and portfolio level;

f) Independent and on-going assessment of the credit risk management process is in place;

g) Effective and efficient internal reporting framework is established; and

h) Internal controls to ensure that exceptions to policies and limits are monitored and reported to the appropriate approving authorities are established.

Distressed Credit

The Bank has policies and processes in place for managing distressed credit and to ensure that remedial actions are undertaken on a timely basis. The Bank has a remedial management process triggered by specific events throughout the credit monitoring process. The Bank has established a Provisions Committee which sets the provisioning framework, methodology and processes, to ensure that adequate levels of provisions are in place at both an individual and portfolio level. The Provisions Committee reviews the provisions on a quarterly basis. The Bank classifies its exposures and calculate provisions in accordance with IFRS 9;

c) Structure and organization of the credit risk management and control function.

The Bank’s Board-approved credit risk management structure clearly delineates lines of authority, establish accountabilities and responsibilities of individuals involved in the different phases of the credit risk management process.

The Bank’s credit risk management organization is broadly classified into three functional lines of activities: The Business Lines, Credit Risk Management function and Credit administration, to properly segregate accountabilities, ensure that no individual is assigned conflicting responsibilities, and effectively monitor and control the risks being taken.

The **Business lines** (Wholesale Banking, Treasury and Retail Banking) perform credit originating; recommend internal credit ratings, classifications and allowances for losses including changes thereafter, if required; and the on-going monitoring of credit exposures of borrowers on a day-to-day basis.

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18. CRA - General qualitative information about credit risk (continued)

The Bank has a dedicated **Credit Risk Management function** that are independent of business units headed by the CRO, who reports to the CEO. The Credit Risk Management function staff members have the necessary skills, expertise and specialisation. The function performs risk management and control functions that are independent from the credit originating and administration functions. The Credit Risk Management function provides meaningful inputs in policy formulation and limits setting, designs and implements the Bank's internal credit risk rating system and reviews periodic exposure and exception monitoring. All credit proposals are independently reviewed by the Credit Risk Management function and then recommended to the appropriate level of approval authority as defined in the Bank's policy which include Board of Directors, the Executive Committee of the Board and Senior Management Credit Committee of the Bank.

Special Asset Management is another function within Risk Management that is independent from the credit originating function to ensure that problem loans are managed effectively to minimize potential losses.

The **Credit Administration and Risk Control** function provides support in the overall credit administration, including, among others: ensuring complete documentation, credit disbursement and recording of payments received; maintenance of credit and collateral files; and compilation of management information reports.

d) Relationships between the credit risk management, risk control, compliance and internal audit functions.

The Board has ultimate responsibility for the Bank's risk organization and for ensuring satisfactory internal control. The Board adopts policies for controlling all perceived risks and these are supplemented by detailed routines and guidelines within the Bank. Board Risk Policy Committee (BRPC) supports the Board by discussing, steering and monitoring these risks and prepare for decisions by the full Board.

The CEO has overall responsibility for managing all the Bank's risks in accordance with the Board's policies. The CEO ensures that the Bank's organization and administration are appropriate and that the Bank's operations are in compliance with the external and internal framework. The CRO supports the CEO by ensuring that the Board has all necessary information to make risk related decisions.

The basis for the risk management and internal control framework in the Bank is based on the three lines of defence model that is governed by the Bank's policies.

The first line of defence refers to all risk management activities carried out by the line management and staff. All managers are fully responsible for the risks, and the management of these, within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

The second line of defence refers to Bank's independent Credit Risk Management, Risk Control and Compliance Functions. To ensure independence, these functions are not involved in business operations. These functions set the framework and principles for the work on risk management and compliance, and carry out independent follow-up. Each function in the second line of defence has a well-defined mandate to ensure full independence of each function organizationally and operationally. These functions, however, operate in a coordinated manner to ensure that the Bank maintains the Risk Management Framework and Strategy.

Credit Risk Management is responsible for maintaining the Credit Risk Management Framework in the Bank by conducting credit risk assessments and managing the credit approval process within the Bank's risk strategy, risk profile, risk appetite and policy standards.

Credit Administration and Risk Control is responsible for the overall documentations, collateral management and limits management framework of the Bank where they ensure no breaches are noted. Any exceptions, if any, is escalated to the relevant stakeholders.

Compliance Function is responsible for ensuring compliance with KYC guidelines under applicable laws and regulatory requirements.

The third line of defence refers to the Internal Audit Function which is responsible for carrying out a risk-based programme of work designed to provide assurance that Board-approved Credit Risk Management Framework have been consistently applied. This involves ensuring that controls are in place and working effectively in accordance with the Bank's policies and procedures as well as with laws and regulations. The Board Audit Committee receives regular reports of the results of audit work.

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18. CRA - General qualitative information about credit risk (continued)

e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.

The Credit Risk Reporting incorporates all the relevant forward looking business and financial risk drivers and metrics that are reflective of the nature of the Bank's business and is based on data that is subject to appropriate controls to ensure its integrity. The Credit Risk reports provided to Senior management and the Board on quarterly basis include:

- Providing an overview of GIB's **credit risk profile**, includes:
  - o High-level summary of credit portfolio by credit rating classification, industry, region and country.
  - o Summary of significant period-on-period changes to portfolio structure and composition.
  - o Highlights of observed limit breaches, if any, including credit concentration limits together with details of corrective action.
  - o Summary of collateral portfolio and composition.
  - o Highlights of significant changes, if any, in the level of provisions, non-performing loans, major write-offs, decline in collateral values etc., and management actions taken in light of their developments.
  - o Monitoring compliance with **risk appetite** metrics.
- Monitoring the results of the **credit risk stress tests** including:
  - o Results of the quarterly credit risk stress testing, underlying scenarios and assumptions employed.

Key highlights from the analysis of the stress test results and comparison of results against the previous quarter.

19. CR1 - Credit quality of assets

		a	b	c	d	e	f	e
		Gross carrying values of			Of which ECL accounting provisions for credit losses On SA exposures		Of which ECL accounting provisions for credit losses on IRB exposures	
	SAR 000's	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General		Net values (a+b-c)
01	Loans	591,296	27,381,904	408,341	408,341	264,898		27,564,859
02	Debt Securities		8,788,433			2,597		8,788,433
03	Off-balance sheet exposures		34,171,655		133,611	28,593		34,171,655
04	**Total**	**591,296**	**70,341,992**	**408,341**	**541,952**	**296,088**		**70,524,947**

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:

1. The obligor is past due for 90 days or more on any material credit obligations to the Bank including principal instalments, interest payments and fees.
2. The bank considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realizing security (if any).

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20. CR2 - Changes in stock of defaulted loans and debt securities

	SAR 000's	Loans
1	**Defaulted loans and debt securities at end of the previous reporting period**	**576,681**
2	Loans and debt securities that have defaulted since the last reporting period	32,002
3	Returned to non-defaulted status	-
4	Amounts written off	(17,387)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the reporting period**	**591,296**

21. CRB – Additional disclosure related to the credit quality of assets

a) The scope and definitions of past due and impaired exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes

Past due exposures represent those assets with payment obligations that has not been made as of the due date and / or in a timely fashion.

Individually **impaired** financial assets represent assets for which there is objective evidence that the Bank will not collect all amounts due, including both principal and interest, in accordance with the contractual terms of the obligation. Provisions for impairment are determined based on the difference between the net carrying amount and the recoverable amount of a financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral.

Provisions for impairment are also measured and recognised on a collective basis in respect of expected credit losses and are classified as either stage 1 or stage 2, in accordance with IFRS 9.

The stage 1 and stage 2 provisions reflect the probability-weighted estimate of expected credit losses. The provisions comprise both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators and includes forward-looking information.

Provisions for impairment are recognised in the consolidated statement of income and are reflected in an allowance account against loans and advances, investment securities and placements.

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. A specific provision is established only where there is objective evidence that a credit facility is impaired.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

The 90 days rule for past due will generally apply unless the Bank has strong evidence to support a different classification. Substantial scrutiny is required to ensure that such evidence is in place and that it is fully documented and approved by the relevant authorities.

c) Description of methods used for determining impairments.

Expected Credit Losses on a collective basis is calculated for the following credit risk-related exposures that are not specifically impaired (provisioned). These would principally consist of:

a) Loans,

b) Credit-related contingents, excluding performance bonds,

c) Investments securities, and

d) Placements that have tenors greater than six months.

For all undrawn advised committed lines, a 50 per cent drawdown is assumed. The 50% drawdown is consistent with the 50% Credit Conversion Facto (CCF) specified under the Basel rules for undrawn committed facilities.

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21. CRB – Additional disclosure related to the credit quality of assets (continued)

c) Description of methods used for determining impairments (continued)

Individually impaired financial assets represent assets for which there is objective evidence that the Bank 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) a breach of contract, such as default or delinquency in interest or principal payments,

b) the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered,

c) indications that it is probable that the borrower will enter bankruptcy or other financial re-organisation,

d) the disappearance of an active market, or

e) 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.

d) The Bank's own definition of a restructured exposure.

A restructured loan will be one where the terms and conditions have been modified, principally because of deterioration in the borrower's financial condition. Restructuring proposals will warrant certain concessions / conditions depending upon the particular situations involved.

e) Geographic analysis of credit risk exposures under the Standardised approach:

	SAR 000's	Exposures before CCF and CRM						
	Standardised Approach Asset classes	Saudi Arabia	GCC & Middle East	Europe	South East Asia	North America	Others	Total
01	Sovereigns and their central banks	14,289,158	76,587					**14,365,745**
02	Non-central government public sector entities	154,482						**154,482**
03	Banks	1,443,554	1,766,806	795,233	76,478	1,402,282		**5,484,353**
04	Corporates	55,884,134	61,405		1,899,576			**57,845,115**
05	Regulatory retail portfolios	967,257						**967,257**
06	Secured by residential property	382,202						**382,202**
07	Equity	86,940						**86,940**
08	Past-due loans	182,955						**182,955**
09	Other assets	1,199,469						**1,199,469**
10	**Total**	**74,590,151**	**1,904,798**	**795,233**	**1,976,054**	**1,402,282**		**80,668,518**

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21. CRB – Additional disclosure related to the credit quality of assets (continued)

f) Industry analysis of credit risk exposures under the Standardised approach:

	SAR 000's Standardised Approach Asset classes	Agriculture	Communication	Construction	Finances	Government	Manufacturing	Mining	Services	Transportation	Utilities	Wholesale Trade	Others	Total
1	Sovereigns and their central banks					14,365,745								**14,365,745**
2	Non-central government public sector entities					154,482								**154,482**
3	Banks				5,484,353									**5,484,353**
4	Corporates	982,379	1,236,853	12,524,571	4,508,854	1,706,149	8,452,527	7,458,133	4,281,810	4,061,180	718,549	8,332,870	3,581,240	**57,845,115**
5	Regulatory retail portfolios												967,257	**967,257**
6	Secured by residential property												382,202	**382,202**
7	Equity				60,375			26,565						**86,940**
8	Past-due loans			23,360			10,256	2,041	32,536	78,819		27,952	7,991	**182,955**
9	Other assets												1,199,469	**1,199,469**
	Total	**982,379**	**1,236,853**	**12,547,931**	**10,053,582**	**16,226,376**	**8,462,783**	**7,486,739**	**4,314,346**	**4,139,999**	**718,549**	**8,360,822**	**6,138,159**	**80,668,518**

	SAR 000's	Exposures before CCF and CRM					
	Industry Sector	Neither past due nor impaired	Past due but not impaired	Impaired	Total gross amount	Impairment allowances	Total
1	Agriculture	982,379			982,379		**982,379**
2	Communication	1,226,887	9,966	170	1,237,023	170	**1,236,853**
3	Construction	12,514,908	9,663	70,579	12,595,150	47,219	**12,547,931**
4	Finances	10,053,582			10,053,582		**10,053,582**
5	Government	16,226,376			16,226,376		**16,226,376**
6	Manufacturing	8,445,408	7,119	40,914	8,493,441	30,658	**8,462,783**
7	Mining	6,735,487	749,211	2,835	7,487,533	794	**7,486,739**
8	Services	4,196,018	85,792	36,136	4,317,946	3,600	**4,314,346**
9	Transportation	4,061,154	26	301,240	4,362,420	222,421	**4,139,999**
10	Utilities	718,549			718,549		**718,549**
11	Wholesale Trade	8,168,451	164,419	112,949	8,445,819	84,997	**8,360,822**
12	Others	6,117,185	12,983	26,473	6,156,641	18,482	**6,138,159**
	Total	**79,446,384**	**1,039,179**	**591,296**	**81,076,859**	**408,341**	**80,668,518**

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21. CRB – Additional disclosure related to the credit quality of assets (continued)

g) Residual Maturity analysis of credit risk exposures under the Standardised approach:

	SAR 000's	Exposures before CCF and CRM			
	Standardised Approach Asset classes	<=1 year	> 1 year and <= 5 years	> 5 years	Total
01	Sovereigns and their central banks	9,953,885	1,297,792	3,114,068	**14,365,745**
02	Non-central government public sector entities	12,477	7,354	134,651	**154,482**
03	Banks	4,303,473	1,093,483	87,397	**5,484,353**
04	Corporates	40,685,237	15,564,931	1,594,947	**57,845,115**
05	Regulatory retail portfolios	43,988	915,787	7,482	**967,257**
06	Secured by residential property		4,836	377,366	**382,202**
07	Equity			86,940	**86,940**
08	Past-due loans	152,913	14,302	15,740	**182,955**
09	Other assets	1,179,563	19,906		**1,199,469**
	Total	**56,368,433**	**18,968,434**	**5,331,651**	**80,668,518**

h) Ageing analysis of days for past due credit risk exposures:

	SAR 000's	Exposures before CCF and CRM					
		Up to 29 days	30-59 days	60-89 days	90-179 days	180 days and over	Total
1	Loans			33,418	36,125	521,753	**591,296**
2	Debt Securities						
3	Off-balance sheet exposures						
	Total			**33,418**	**36,125**	**521,753**	**591,296**

22. CRB-A – Additional disclosure related to prudential treatment of problem assets

a) The Bank defines exposures in default as part of Board-approved policies, which are based on the relevant regulatory and IFRS9 framework requirements. For this purpose, the circumstances that the Bank considers for determining if an exposure is in default includes:

1. exposures wherein the Bank considers that the obligor is unlikely to pay its credit obligations to the Bank in full, without recourse by the bank to actions such as realizing security (if held).
2. exposures wherein the Bank consents to a distressed restructuring of a credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement of principal and interest.
3. the obligor is past due more than 90 days on any credit obligation to the Bank.

Note that for retail exposures, exposures in default are classified under Stage 3 for IFRS9 purposes. This shall constitute exposures that have missed more than 3 monthly instalment payments.

Additionally, movements between IFRS9 ECL staging categories (including movements out of IFRS9 stage 3 category) are subject to approved criteria and curing period requirements based on defined policy and regulatory requirements.

b) The Bank for a corporate exposure recognizes forbearance as a concession granted to an obligor for reasons of financial difficulty. All such exposures of an obligor would automatically move to stage 2 / stage 3 classification even if one facility breaches the approved triggers. A forborne case can be re-categorized as performing only after a defined probation period showing (a) timely repayment behaviour & (b) meet solvency/free cash flow criteria. In the case of retail exposures, the Banks recognizes forbearance when the payment plan is rescheduled because of stressed financial conditions of the borrower either due to unemployment or due to reduction in monthly salary. Rescheduled exposures would automatically move to stage 2 / stage 3 classification and would be re-categorized as performing only after probation period is completed and customer is showing timely repayment behaviour.

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22. CRB-A – Additional disclosure related to prudential treatment of problem assets (continued)

c) Gross carrying value of total performing as well as non-performing exposures:

	SAR 000's	Gross carrying values of Corporate Loans			Gross carrying values of Retail Loans			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
01	Loans	564,823	26,225,024	389,859	26,473	1,156,880	18,482	27,564,859
02	Debt Securities		8,788,433					8,788,433
03	Off-balance sheet exposures		34,171,655					34,171,655
04	**Total**	**564,823**	**69,185,112**	**389,859**	**26,473**	**1,156,880**	**18,482**	**70,524,947**

d) Gross carrying values of restructured/forborne exposures:

	SAR 000's	Gross carrying values of Corporate Loans			Gross carrying values of Retail Loans			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values
01	Loans	105,727	424,717	77,111		10,980		464,313
02	Debt Securities							
03	Off-balance sheet exposures							
04	**Total**	**105,727**	**424,717**	**77,111**		**10,980**		**464,313**

23. CRC - Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

Not Applicable. No such netting is applicable in the financial statements.

b) Core features of policies and processes for collateral evaluation and management.

The Bank has in place a collateral Management policy that is an integral part of the overall framework of credit risk management for Wholesale Banking within the Bank and sets out the parameters and criteria for the acceptance of collateral and its management. The primary objectives of this collateral Management Framework are to:

a) Assist the Relationship Managers (RMs) of Wholesale Banking in the determination of acceptability of collateral;

b) Support the responsible individuals in conducting an analysis and assessment of collateral against the value of the exposure;

c) Set out the policies to ensure that the collateral provided is legally enforceable;

d) Establish the requirements to safeguard collateral; and

e) Define the process for conducting periodic review and valuation of collateral.

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.

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23. CRC - Qualitative disclosure requirements related to credit risk mitigation techniques (continued)

Types of eligible collateral commonly accepted

The Bank holds collateral against loans and advances in the form of physical assets, cash deposits, securities and guarantees.

Monitoring of Collateral Values

For all collateral where title deeds are being pledged, the RM with the assistance of external valuators is required to conduct a physical inspection/examination and shall produce a site visit report prior to the granting of the facility. This must be done unless waived by the Credit Approving Authority.

In accordance with section 6.1 (Financial Collateral) of the Basel II – SAMA's Detailed Guidance Document relating to Pillar 1 document, issued by SAMA in June 2016, the Bank applies haircuts to collateral valuation in accordance with section 3 (Collaterals) of the International Convergence of Capital Measurement and Capital Standards paper issued by the Basel Committee on Banking Supervision dated June 2006.

For physical assets, a minimum of two external valuation reports from different valuators shall be considered for the purpose of valuation at the Bank.

The Bank has in place a list of approved valuators who are professional and qualified to provide an opinion on the value of the collateral. The external valuators being appointed should be qualified under respective jurisdiction to conduct examination of the collateral.

The Bank takes into account concentrations of non-cash collateral for all product lines covered by collateral agreements.

Credit Administration function is responsible for generating the report identifying Collateral concentrations.

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

The Bank uses a variety of credit risk mitigation techniques 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. The recognised credit risk mitigation activities are undertaken with various counterparties to ensure no additional credit or market risk concentrations occur.

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 the Bank'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.

24. CR3 - Credit risk mitigation techniques – overview

SAR 000's		Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
01	Loans	26,430,886	1,133,973	950,020	183,953	
02	Debt Securities	8,788,433				
03	**Total**	**35,219,319**	**1,133,973**	**950,020**	**183,953**	
04	Of which defaulted	98,209	84,746	76,193	8,553	

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25. CRD - Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the Bank, and the reasons for any changes over the reporting period.

The Bank uses the following External credit assessment institutions (ECAIs):

a) Moody's,

b) Standard & Poor's and

c) Fitch.

b) The asset classes for which each ECAI or ECA is used.

Externally rated Corporate, Banks and Securities Firms.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the Banking book (see paragraphs 99–101 of the Basel framework); and

The Bank uses ratings issued by Standard & Poor's, Moody's and Fitch to derive the risk-weightings under the 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

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the Bank has to comply).

The Bank uses grade scales from "1" to "10" with sub-grades that totals to 20 rating categories where "1" is the highest or the "best" and 10 is the lowest or the "worst" with ratings from "2" to "6" being further differentiated with "+" and "-" modifiers. The Bank's grade scale is mapped to external rating agencies (Standard & Poor's/ Moody's & Fitch) Investment grades (1-4) are mapped to (Standard & Poors & Fitch AAA to BBB- & Moody's AAA to Baa3), Sub-investment grades (5-7) mapped to (Standard & Poors & Fitch BB+ to C & Moody's Ba1 to C) and default grades are (8-10).

	GIBCR	Moody's	S&P	Fitch
Investment Grade	1	AAA	AAA	AAA
	2+	Aa1	AA+	AA+
	2	Aa2	AA	AA
	2-	Aa3	AA-	AA-
	3+	A1	A+	A+
	3	A2	A	A
	3-	A3	A-	A-
	4+	Baa1	BBB+	BBB+
	4	Baa2	BBB	BBB
	4-	Baa3	BBB-	BBB-
Sub-Investment Grade	5+	Ba1	BB+	BB+
	5	Ba2	BB	BB
	5-	Ba3	BB-	BB-
	6+	B1	B+	B+
	6	B2	B	B
	6-	B3	B-	B-
	7	Caa - C	CCC - C	CCC - C
	8 - 10	-	D	D

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26. CR4 - Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

	SAR 000's	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
01	Sovereigns and their central banks	14,365,745	0	14,380,433	14,619	91,212	1%
02	Non-central government public sector entities	146,681	7,801	146,681	7,801	77,241	50%
03	Banks	2,860,265	2,624,088	3,024,409	2,513,773	1,711,004	31%
04	Corporates	26,305,349	31,539,766	26,330,070	10,538,438	35,638,886	97%
05	Regulatory retail portfolios	967,257		967,257		967,257	100%
06	Secured by residential property	382,202		382,202		133,130	35%
07	Equity	86,940		86,940		217,349	250%
08	Past-due loans	182,955		174,401		123,092	71%
09	Other assets	1,199,469		1,004,470		988,777	98%
	Total	**46,496,863**	**34,171,655**	**46,496,863**	**13,074,631**	**39,947,948**	**67%**

27. CR5 - Standardised approach – exposures by asset classes and risk weights

	SAR 000's	a	b	c	d	e	f	g	h	i
	Asset classes/ Risk weight*	0%	20%	30%	50%	85%	100%	150%	Other	Total credit exposures amount (post CCF and post-CRM)
01	Sovereigns and their central banks	14,245,338	73,127				76,587			14,395,052
02	Non-central government public sector entities				154,482		0			154,482
03	Banks		2,608,933	2,294,861	267,256		367,132			5,538,182
04	Corporates	413,797	2,233		436,936	3,970,488	32,045,054			36,868,508
05	Regulatory retail portfolios						967,257			967,257
06	Secured by residential property		43,256	88,492	8,938				241,516	382,202
07	Equity								86,940	86,940
08	Past-due loans	10			137,315		2,360	34,716		174,401
09	Other assets	15,693					988,777			1,004,470
	Total	**14,674,838**	**2,727,549**	**2,383,353**	**1,004,927**	**3,970,488**	**34,447,167**	**34,716**	**328,456**	**59,571,494**

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27. CR5 - Standardised approach – exposures by asset classes and risk weights (continued)

	SAR 000's				
	Exposure amounts and CCFs applied to off-balance sheet exposures, categorised based on risk bucket of converted exposures	a	b	c	d
	Risk Weight	On-balance sheet exposure	Off-balance sheet exposure (pre-CCF)	Weighted average CCF*	Exposure (post-CCF and post-CRM)
01	Less than 40%	17,567,146	4,681,255	47.8%	19,806,701
02	40-70%	1,196,192	46,292	63.3%	1,225,482
03	75%				
04	85%	3,493,045	1,443,883	33.1%	3,970,488
05	90-100%	24,118,824	28,000,225	36.9%	34,447,168
06	105-130%				
07	150%	34,716			34,716
08	250%	86,940			86,940
	Total	**46,496,863**	**34,171,655**	**34.9%**	**59,571,494**

28. CCRA – Qualitative disclosure related to counterparty credit risk

a) **Risk Management objectives and policies related to Counterparty credit risk, including:**

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. Counterparty credit risk arises in both the trading book and the banking book.

b) **The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposure and for CCP exposures;**

The counterparty credit risk for derivative and foreign exchange instruments is subject to credit limits on the same basis as other credit exposures.

c) **Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;**

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 bank to net positive and negative replacement values of contracts under the agreement in the event of default of the counterparty.

d) **Policies with respect to wrong way exposures;**

Wrong way risk is the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank's SRMC approves all new products. As part of its approval process, the SRMC ensures that new treasury products will not result in wrong way risk.

e) **The impact in terms of amount of collateral that the bank would be required to provide given a credit Rating downgrade.**

Not Applicable. Existing derivates contracts that Bank is part to do not have provisions for posting additional collaterals in case of a credit rating downgrade.

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29. CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

		a	b	c	d	e	f
	SAR 000's	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	116,510	101,654		1.4	305,430	252,370
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						**252,370**

30. CCR3 - Standardised approach – CCR exposures by regulatory portfolio and risk weights

SAR 000's	a	b	c	d	e	f	g	h	i
Regulatory portfolio/ Risk weight	0%	20%	30%	50%	85%	100%	150%	Others	Total credit exposures
Non-central government public sector entities				7,801					7,801
Banks		8,494	53,642						62,136
Corporates					32,098	203,395			235,493
Total		**8,494**	**53,642**	**7,801**	**32,098**	**203,395**			**305,430**

31. CCR5 - Composition of collateral for CCR exposure

		a	b	c	d	e	f
		Collateral used in derivative transactions				Collateral used in SFTs	
		Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of posted collateral
SAR 000's		Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash – other currencies		104,457				
	Total		**104,457**				

32. CCR6 - Credit derivatives exposures

SAR 000's	a Protection bought	b Protection Sold
Notionals		
Credit default swaps	30,000	30,000
Total notionals	**30,000**	**30,000**
Fair values		
Positive fair values (asset)	80	
Negative fair values (liability)		80

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33. CCR8 - Exposures to central counterparties

		a	b
	SAR 000's	EAD (post-CRM)	RWA
1	**Exposures to QCCPs (total)**		
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which		
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**	305,430	252,370
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	305,430	252,370
13	(i) OTC derivatives	305,430	252,370
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

34. MRA - Qualitative disclosure requirements related to 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 Bank is exposed are equity risk, interest rate risk and foreign exchange risk associated with its trading, investment and asset and liability management activities.

a) Strategies and processes of the Bank

The Bank's trading and foreign exchange activities principally comprise trading in foreign exchange and derivative financial instruments. Derivative financial instruments predominantly include forwards and swaps in the interest rate and foreign exchange markets.

The Bank adopts a robust Risk Management Framework to comply with the Market Risk Strategy that address the policies and guidelines for the key processes underlying the identification, assessment, measurement, monitoring reporting and control of market risk, including:

- Market risk planning and assessment to determine the nature and level of market risk exposure that the Bank is permitted to undertake in light of its strategy and risk appetite and maintains, among other things, a rigorous process of security selection and approval;
- Value-at-risk analysis to provide a comprehensive and consistent measure of the Bank's market risk exposure to adverse market movements;
- Limit management to monitor portfolio concentrations, size of open positions and maximum allowable losses that the Bank could face on those positions;
- Stress testing to assess and manage the risks associated with extreme market movements on the market values of the portfolios;
- Prudent valuation process to determine the mark-to-market or fair values of market risk related financial instruments and derivatives and maintain data quality;

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34. MRA - Qualitative disclosure requirements related to market risk (continued)

b) Structure and organization of the market risk management function

The Bank has established a robust risk governance structure within the Bank's Risk Strategy to ensure that all material market risks are managed and mitigated. The Bank maintains a prudent and disciplined approach to market risk taking by upholding a well thought out Risk Appetite Statement, comprehensive market risk management policies and processes. Below are the principal elements of the Bank's market risk governance structure:

- Board of Directors (BoD) approve Bank's overall market risk strategy and risk appetite
- The Board Risk Policy Committee (BRPC) assist the BoD in ensuring that the Bank has an adequate market risk management and risk control framework in place to realise the overall risk strategy and risk appetite
- Market Risk and Finance are responsible for maintaining the Bank's market risk reporting framework which includes monitoring of the BoD approved VaR and other market risk limits. All limits are reported to ALCO and BRPC on a monthly and quarterly basis respectively.

c) Scope and nature of risk reporting

A key element in the Bank's market risk management framework is the estimation of potential future losses that may arise from adverse market movements. The Bank utilises Value-at-Risk (VaR) to estimate such losses. The VaR is derived from quantitative models that use statistical and simulation methods that take account of all market rates and prices that may cause a change in a position's value. These include interest rates, foreign exchange rates and equity prices, their respective volatilities and the correlations between these variables.

The VaR takes account of potential diversification benefits of different positions both within and across different portfolios. Consistent with general market practice, VaR is computed for all financial instruments for which there are readily available daily prices or suitable proxies. VaR is viewed as an effective risk management tool and a valuable addition to the non-statistically based limit structure. It permits a consistent and uniform measurement of market risk across all applicable products and activities. Exposures are monitored against a range of limits both by risk category and portfolio and are regularly reported to and reviewed by senior management and the BoD.

35. MR1 - Market risk under standardised approach

		a
	SAR 000's	Capital charge in SA
1	General interest rate risk	29
2	Equity risk	197,958
3	Foreign exchange risk	14,197
4	Commodity risk	
5	Credit spread risk – non-securitisations	
6	Credit spread risk – securitisations (non-correlation trading portfolio)	
7	Credit spread risk – securitisation (correlation trading portfolio)	
8	Default risk – non-securitisations	10,602
9	Default risk – securitisations (non-correlation trading portfolio)	
10	Default risk – securitisations (correlation trading portfolio)	
11	Residual risk add-on	
12	**Total**	**222,786**

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36. ORA: General qualitative information on a bank's operational risk framework

a) ORM policies, frameworks, and guidelines for the management of operational risk.

Operational risk is a distinct risk category which the Bank manages within acceptable 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 bank.

The management of operational risk has a key objective of minimizing 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.

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.

b) **Operational risk measurement system** (i.e., the systems and data used to measure operational risk in order to estimate the operational risk capital charge).

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 categorized according to business lines and operational risk event types; a record of key risk indicators, which can provide an early warning of possible risks; and a risk and control assessment process to analyze business activities and identify operational risks related to those activities.

1. Operational Risk Events (ORE): Operational Risk events encompass incidents resulting from inadequate or failed internal processes, people, and systems or from external events which impact the bank, incur a direct financial loss or result in an opportunity loss. 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.
2. 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.
3. 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.
4. Internal Control Testing Framework (ICTF): The ICTF contributes 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.

c) The structure and organization of GIB's operational risk management and control function.

GIB has a dedicated Operational Risk Management (ORM) function for the Bank which reports to the Bank's Chief Risk Officer and provides independent oversight, monitoring, and reporting on operational risk issues. The Bank has an established governance forum, the Operational Risk Committee which provides oversight for operational risk activities across Bank and reports to the Risk Committees on a quarterly basis regarding relevant operational risk management matters such as high impact events, risks, and issues of critical importance.

d) The scope and main context of GIB reporting framework on operational risk to executive management and to the board of directors.

The outline of the scope of reporting for the Operational Risk Management Department (ORMD) function to executive management includes the following:

1. **Risk Profiles:** ORMD presents comprehensive risk profiles through identifying and assessing the bank's operational risks across various business units, processes, and systems. These reports highlight key risks, their potential impact and likelihood
2. **Key Risk Indicators (KRIs):** ORMD reports on the monitoring and evaluation of key risk indicators. These are quantifiable metrics that serve as early warning signals for potential risk events. The reports provide insights into the effectiveness of risk controls and help executive management assess and respond to risk trends.

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36. ORA: General qualitative information on a bank's operational risk framework (continued)

3. **Operational Risk Events (OREs):** ORMD tracks and reports on operational risk events and losses that occur within the bank. These reports outline the nature of incidents, their root causes, impacts, and any lessons learned, or actions taken to prevent similar incidents in the future.
4. **Risk Appetite and Tolerance:** ORMD communicates the bank's risk appetite and tolerance levels to executive management. This includes reporting on the alignment of risk-taking activities within these established boundaries, ensuring risk management practices are in line with the bank's strategic objectives.

e) **The risk mitigation and risk transfer used in the management of operational risk.** This includes mitigation by policy (such as the policies on risk culture, risk appetite, and outsourcing), by divesting from high-risk businesses, and by the establishment of controls. The remaining exposure can then be absorbed by the bank or transferred. For instance, the impact of operational losses can be mitigated with insurance.

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 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 for business continuity planning, insurance, and legal risk (which includes regular reporting to management on legal matters).

37. OR1 - Historical losses

		a	b	c	d
	SAR 000's	31-Dec-2023	31-Dec-2022	31-Dec-2021	31-Dec-2020
	Using 44,600 SAR threshold				
1	Total amount of operational losses net of recoveries (no exclusions)	6,167,602	3,237,651	574,698	4,679,007
2	Total number of operational risk losses	9	5	4	9
3	Total amount of excluded operational risk losses				
4	Total number of exclusions				
5	Total amount of operational losses net of recoveries and net of excluded losses	6,167,602	3,237,651	574,698	4,679,007
	Using 446,000 SAR threshold				
6	Total amount of operational losses net of recoveries (no exclusions)	4,858,561	2,780,000		3,599,970
7	Total number of operational risk losses	3	3		3
8	Total amount of excluded operational risk losses				
9	Total number of exclusions				
10	Total amount of operational losses net of recoveries and net of excluded losses	4,858,561	2,780,000		3,599,970
	Details of operational risk capital calculation				
11	Are losses used to calculate the ILM (yes/no)?				
12	If "no" in row 11, is the exclusion of internal loss data due to non-compliance with the minimum loss data standards (yes/no)?				
13	Loss event threshold: SAR 44,600 or SAR 446,000 for the operational risk capital calculation if applicable				

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38. OR2 - Business Indicator and subcomponents

	SAR 000's	a	b	c
	BI and its subcomponents	31-Dec-2022	31-Dec-2021	31-Dec-2020
1	Interest, lease and dividend component	534,603		
1a	Interest and lease income	1,213,782	631,488	686,341
1b	Interest and lease expense	574,549	161,936	225,233
1c	Interest earning assets	35,311,326	32,361,555	29,734,035
1d	Dividend income	11,552	11,538	10,827
2	Services component	184,572		
2a	Fee and commission income	257,348	189,568	98,188
2b	Fee and commission expense	17,022	9,314	3,942
2c	Other operating income	-	-	-
2d	Other operating expense	3,012	1,148	4,454
3	Financial component	92,516		
3a	Net P&L on the trading book	24,801	106,071	23,760
3b	Net P&L on the banking book	71,091	25,382	26,442
4	BI	811,691		
5	Business indicator component (BIC)	97,403		

Disclosure on the BI:

	SAR 000's	a
6a	Business indicator component (BIC)	811,691
6b	Internal loss multiplier (ILM)	1

39. OR3 - Minimum required operational risk capital

	SAR 000's	a
1	Business indicator component (BIC)	97,403
2	Internal loss multiplier (ILM)	1
3	Minimum required operational risk capital (ORC)	97,403
4	**Operational risk RWA**	**1,217,537**

40. IRRBBA - IRRBB risk management objectives and policies

a) A description of how the Bank defines IRRBB for purposes of risk control and measurement.

Interest rate risk arises from fluctuations in interest rates that lead to risk of losses. The Bank takes into consideration re-pricing, basis and option risks for the purposes of IRRBB. The Bank does not have any explicit rate options on its banking book and has assessed the prepayment and early redemption optionalities on its banking book to be immaterial.

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40. IRRBBA - IRRBB risk management objectives and policies (continued)

b) A description of the Bank's overall IRRBB management and mitigation strategies.

The Bank's policy has been reviewed and endorsed by the Bank's Asset Liability Committee (ALCO), Board Risk Policy Committee (BRPC) and the Board of Directors (BoD).

The Bank's IRRBB management and mitigation strategies are as follows:

- BRPC is responsible for the oversight of the IRRBB management framework and the Bank's risk appetite for IRRBB
- The Bank's ALCO is responsible for the management of the IRRBB; which is to identify, measure, evaluate, and monitor the interest rate risk
- The Bank's risk appetite for IRRBB is considered in terms of the economic value of equity (EVE). The management have set trigger levels which are lower than the regulatory and the Bank's Board approved risk appetite, if triggered, Bank's management will take corrective measures to ensure adherence to the Board approved risk thresholds
- The Bank maintains its risk position within the desired level through entering into Interest Rate Hedges

c) The periodicity of the calculation of the Bank's IRRBB measures and a description of the specific measures that the Bank uses to gauge its sensitivity to IRRBB.

The Bank calculates the IRRBB on a quarterly basis and utilizes the following specific measures to gauge its sensitivity to IRRBB.

- Interest rate gap
- Earnings Approach (NII at risk)
- Economic Value Approach (EVE at risk)
- Repricing Duration Gap
- DV01

The interest rate risk in the banking book is also taken into consideration as part of the Bank's annual ICAAP.

d) A description of the interest rate shock and stress scenarios that the Bank uses to estimate changes in the economic value and in earnings

The Bank applies the six interest rate shock scenarios as prescribed by the regulator to compute the ΔEVE and two regulatory interest rate shocks for ΔNII.

e) Where significant modelling assumptions used in the Bank's IMS

The modelling assumptions used for the Bank's IRRBB as disclosed are adopted for capital adequacy purpose.

f) A high-level description of how the Bank hedges its IRRBB, as well as the associated accounting treatment.

The Bank does not intend to take on excessive IRRBB and therefore restricts itself from taking on positions with repricing tenors longer than two years. For fixed rate assets with repricing tenors greater than two years, the Bank enters into IRS trades to swap them into three-month repricing positions. Similarly, on the liability side the Bank also hedges the term deposits with greater than six-month tenors to one month or three-month repricing positions. The Bank regularly assesses the effectiveness of these hedges through prospective and retrospective tests. It ensures that all critical terms of the hedged item and hedging instrument are perfectly matched to ensure effectiveness.

g) A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B

The Bank has carried out behavioural analysis on the historical data for those balance sheet items which are not amenable to standardization. These include fixed rate retail loans with prepayment conditionality, retail term deposits with early redemption options and Non-maturing deposits (NMDs).

- **Non-Maturing Deposits (NMDs):** The Bank continuously observes the levels of its Call and Current account portfolios and identified the balances which have been with the Bank for over a two-year period. It then assigns a two-year tenor to 50% of this minimum level of balances on a conservative basis. while the remaining balances are treated as non-core and slotted in overnight bucket.
- **Prepayment Rate of Customer Loans:** The retail loan portfolio of the Bank is non-material (4%) and therefore no prepayment assumptions are considered.
- **Retail Term Deposits:** Redemption behaviour of all the term deposits over the last 5 years were checked for early redemptions and was assessed to be non-material (<0.1%).
- **The Corporate Lending Portfolio** of the Bank consists largely of floating rate loans, fixed rate short tenor working capital and trade financing products. More than 95% of the corporate balances reprice or mature within one year and therefore impact of any prepayment is not considered material.
- **For Corporate Term Deposits,** the Bank ensures that any early redemption is penalized to recoup the full economic loss and hence no further analysis was conducted.

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41. IRRBB1 - Quantitative information on IRRBB

Segment	Average Maturity
Retail NMDs	1.32 Years
Corporate NMDs	0.96 Years
Average	**0.28 Years**

The slotting of NMDs has been done till the repricing bucket of 2Years

SAR 000s	ΔEVE		ΔNII	
Period	**31-Dec-2023**	**31-Dec-2022**	**31-Dec-2023**	**31-Dec-2022**
Parallel up	**(449,395)**	**(334,311)**	41,131	76,490
Parallel down	**520,039**	**394,655**	(41,131)	(76,490)
Steepener	**(132,017)**	**(143,813)**		
Flattener	**31,601**	**69,812**		
Short rate up	**(167,149)**	**(84,801)**		
Short rate down	**174,092**	**88,026**		
Maximum	**(449,395)**	**(334,311)**	**(41,131)**	**(76,490)**
Period	**31-Dec-2023**		**31-Dec2022**	
Tier 1 capital		**7,409,183**		**7,182,483**

42. REMA - Remuneration policy

NOMINATION AND REMUNERATION COMMITTEE

The principal objective of the Committee is to help the Board in ensuring that the Bank's remuneration remain competitive for GIB to continue to attract, retain and motivate competent staff to achieve the strategy and objectives of the Bank. The responsibilities of the Committee, as stated in its mandate, also include, but are not limited to, the following:

Nomination matters:

1. Assessing the skills and competencies required on the Board, the Committees of the Board, and Senior Management.
2. Assessing from time to time the extent to which the required skills are represented on the Board and Senior Management.
3. Establishing processes for reviewing the performance of individual Directors and the Board as a whole.
4. Establishing processes for reviewing the performance of individual Senior Executives and Senior Management as a whole.
5. Overseeing Directors' corporate governance educational activities.
6. Establishing processes for the identification of suitable candidates for Senior Management, and approving individuals qualified to become members of Senior Management.
7. Establishing a succession plan for Senior Management.

Remuneration matters:

Reviewing and approving or making recommendations to the Board in respect of:

1. The executive remuneration and incentive policy which includes the fixed and variable remuneration for approved persons, and material risk-takers.
2. Policies relating to recruitment, retention, performance measurement and separation for the Directors, CEO and Senior Management.
3. Approve, monitor and review the remuneration system to ensure the system operates as intended.
4. Approve the remuneration amounts for each approved person and material risk-taker; as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
5. Review the stress testing and back testing results before approving the total variable remuneration to be distributed.

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42. REMA - Remuneration policy (continued)

REMUNERATION

The Bank's total compensation policy, which includes the variable remuneration policy, sets out GIB's policy on remuneration for Directors and Senior Management, and the key factors that were taken into account in setting the policy.

The Bank adopts Sound Remuneration Practices in accordance with SAMA requirements. The Board approved the framework and incentive components. The key features of the remuneration framework are summarised below.

Remuneration strategy

The Bank's basic compensation philosophy is to provide a competitive level of total compensation to attract, retain and motivate qualified and competent employees. The Bank's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the Shareholders of the Bank. These elements support the achievement of set objectives through balancing reward for both short-term results and long-term sustainable performance. The strategy is designed to share its success and to align employees' incentives with the risk framework and risk outcomes.

The quality and long-term commitment of all employees is fundamental to the success of the Bank. The Bank therefore aims to attract, retain and motivate the very best people who are committed to maintaining a career with the GIB; and who will perform their role in the long-term interests of Shareholders. The Bank's reward package comprises the following key elements:

- Fixed pay
- Benefits
- Annual performance bonus
- Deferred bonus share plan

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Nomination and Remuneration Committee of the Board (NRC).

The Bank's remuneration policy, in particular, considers the role of each employee; and has set guidance depending on whether an employee is a Material Risk Taker and/or an Approved Person in business line, control or support functions. An Approved Person is an employee whose appointment would require prior regulatory approval because of the significance of the role within the Bank; and an employee is considered a Material Risk Taker if they head up significant business lines, and any individuals within their control have a material impact on the Bank's risk profile.

To ensure alignment between what is paid to employees and the business strategy, GIB assesses Bank-wide, divisional and individual performance against annual and long-term financial and non-financial objectives, summarised in line with the business planning and performance management process. This takes into account adherence to the Bank's values, risk and compliance measures and, above all, acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short- and long-term; but also importantly on how it is achieved, as the latter contributes to the long-term sustainability of the business.

NRC role and focus

The NRC has oversight of all reward policies for the Bank's employees. The NRC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, and the business plan and risk profile of the Bank.

Scope of application of the remuneration policy

The principles of this remuneration policy apply on a Bank-wide basis.

Variable remuneration for staff

The variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the staff's variable remuneration, the annual bonus reward consists of delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis that the combination of meeting both financial performance and achievement of other non-financial factors would, all other things being equal, deliver a target bonus pool for the employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted to determine the variable remuneration pool, the NRC aims to balance the distribution of the Bank's profits between Shareholders and employees.

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42. REMA - Remuneration policy (continued)

Variable remuneration for staff (continued)

The key performance metrics at the Bank level include a combination of short-term and long-term measures; and include profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Bank starts from setting specific targets, establishing market comparable bottom-up, setting a profit target and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures.

The NRC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects.

The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRC.

For the Bank to have any funding for distribution of a bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk adjustment and linkage framework.

Remuneration of control functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives, and is not to be determined by the individual financial performance of the business area they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations; as well as the market and regulatory environments, apart from value-adding tasks which are specific to each unit.

Variable remuneration for business units

The variable remuneration for the business units is primarily decided by the key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, as well as the market and regulatory environments.

a) Information relating to the design and structure of remuneration process;

The Policy seeks to assist in creating an efficient process, by acting as a point of reference in relation to the variable remuneration policies and procedures followed by the HR Department within the Bank in compliance with the Saudi Arabia Monetary Authority ("SAMA")'s Rules on Compensation Practices ("SAMA Regulations").

Review and Approval of the Manual

Any material changes in the operating environment or business model, or changes in applicable laws shall trigger an immediate ad-hoc review to ensure that the Policy remains in line with the Bank's strategy, practices, and business context at all times.

Modifications to the Policy that result in major changes to the principles and rules underpinning variable remuneration shall be endorsed by the NRC and referred to the Board of Directors for approval. Procedural or minor changes, clarifications and operational mechanisms will be approved by NRC.

Implementation

The Chief Human Resources Officer ("CHRO") shall be responsible for ensuring that the policies and procedures in this Policy are adhered to by the respective staff. Any exceptions to the policies and procedures shall have to be brought to the attention of the CHRO and signed off by him/ her and reported to the NRC. All material breaches shall be immediately reported to the CHRO who will report the event to the NRC for further action.

All employees of the Bank are also responsible for implementation of this Policy.

Applicable Law

The Policy is established in accordance with the Labour Laws in the Kingdom of Saudi Arabia.

Should there be any difference in substance or interpretation between this Policy and the Labour Laws or applicable SAMA regulations, then the Labour Laws and applicable SAMA regulations shall prevail.

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42. REMA - Remuneration policy (continued)

General Principles

The variable remuneration policies and procedures set forth in this Policy are enforceable towards all employees in the Bank as applicable.

This Policy complements the Employment Contracts, except where the terms of the Employment Contract are more favourable (but subject to being compliant with the SAMA regulations).

Employees must be informed of these practices, policies and procedures upon negotiation and urged to sign an acknowledgement before accepting employment.

Any condition that contradicts with the provisions of this Policy, and any acquittal or reconciliation regarding the rights of an employee arising under this document and during the validity of the Employment Contracts shall be made null and void unless it is of more benefit to the employee (but subject to being compliant with the SAMA regulations).

GOVERNANCE OF VARIABLE REMUNERATION

Overview

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract, motivate and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance based culture that aligns employee interests' with those of the shareholders of the Bank. The variable remuneration policy should ensure effective alignment of remuneration with prudent risk-taking by senior management in the conduct of business.

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Governance, Nomination and Remuneration Committee of the Board (GNRC).

Design, approval and oversight of the variable remuneration policy

The Board of Directors must actively oversee the remuneration system's design and operation for senior management and risk-takers.

The Bank is governed by SAMA which prescribes certain guidance and regulations in relation to developing sound remuneration practices for high earners who are approved persons and material risk takers (together "covered staff"). For the purpose of this Policy, guidance will be issued specifically for high earners who are covered staff and the Bank's policy for other non-covered staff.

The GNRC must ensure all persons must be remunerated fairly and responsibly. The Bank's remuneration policies and practices must be designed to reduce employees' incentives to take excessive and undue risk. The GNRC will be responsible for approving the variable remuneration policy of the Bank, and overseeing its implementation.

In the design and oversight of the Bank's variable remuneration policies, the GNRC may take into account the inputs provided by all competent independent corporate functions, namely risk management, financial control, compliance, human resources and strategic planning.

The Bank's variable remuneration policy will be consistent with and promotes sound and effective risk management. The variable remuneration policy will not encourage excessive risk taking and should enable the Bank to achieve and maintain a sound capital base.

The GNRC will endorse and the Board of Directors will approve any subsequent material exceptions or changes to the variable remuneration policy and carefully consider and monitor their effects.

Review of the remuneration policy

The GNRC ensures that the remuneration policy of the Bank will be reviewed on an annual basis at a minimum. Such central and independent reviews assess whether the overall remuneration system:

- operates as intended (in particular, that all agreed plans/programs are being covered; that the remuneration pay-outs are appropriate, and that the risk profile, long-term objectives and goals of the Bank are adequately reflected); and
- is compliant with applicable laws, regulations, principles and standards.

Where periodic reviews reveal that the remuneration system does not operate as intended or prescribed, the GNRC will ensure that a timely remedial plan is put in place.

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42. REMA - Remuneration policy (continued)

Variable remuneration governance structure

The governance of the variable remuneration policies of the Bank rests with the GNRC of the Board. In addition to human resources department, the GNRC may engage for assistance a number of relevant control and support functions namely the risk management, finance and compliance departments.

The above functions shall work closely with the GNRC to assist in determining the overall variable remuneration strategy applicable to the Bank, having regard to the promotion of effective risk management. This will include establishing an effective variable remuneration framework to determine performance management, risk adjustment and the linkages to reward.

The procedures for setting variable remuneration should allow risk and compliance functions to have input where those functions have concerns regarding: 1) the impact on staff behaviour, and 2) the riskiness of the business undertaken.

b) Information relating to the ways in which risks are taken into account in the remuneration process;

Risk assessment framework

The risk assessment framework of GIB aligns variable remuneration to the risk profile of the Bank, and also ensures that the remuneration policy reduces employees' incentives to take excessive and undue risk. The Bank considers both quantitative measures and qualitative measures in the risk assessment process, and risk adjustments are applied to ensure that the Bank's remuneration policies are aligned to its risk appetite.

The NRC considers whether the variable remuneration policy is in line with the Bank's risk profile; and ensures that through the ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues, whose timing and likelihood remain uncertain, are carefully evaluated.

Risk adjustments consider all types of risks, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance, prior to distribution of the annual bonus. GIB ensures that total variable remuneration does not limit its ability to strengthen its capital base.

The bonus pool considers the performance of the Bank, which is considered within the context of its risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

The size of the variable remuneration pool and its allocation within the Bank considers the full range of current and potential risks, including:

- The capital required to support the risks taken
- The level of liquidity risk assumed in the conduct of business
- Consistency with the timing and likelihood of potential future revenues incorporated into current earnings

The NRC keeps itself abreast of the Bank's performance against the risk management framework. The NRC will use this information when considering remuneration to ensure that return, risk and remuneration are aligned.

Risk adjustments

The Bank has an ex-post risk assessment framework, which is a qualitative assessment to back-test actual performance against risk assumptions.

In years where the Bank suffers material losses in its financial performance, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Bank's total variable remuneration.
- At the individual level, poor performance by the Bank would mean individual KPIs are not met, and hence employee performance ratings would be lower.
- Reduction in value of deferred awards.
- Possible changes in vesting periods, and additional deferral applied to unvested rewards.
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous bonus awards may be considered.

The NRC, with Board approval, can rationalise and make the following discretionary decisions:

- Increase/ reduce the ex-post adjustment
- Consider additional deferrals or increase in the quantum of share awards
- Recovery through malus and clawback arrangements

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42. REMA - Remuneration policy (continued)

Malus and clawback framework

The Bank's malus and clawback provisions allow the NRC to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/adjusted, or the delivered variable remuneration could be recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors, on which reward decisions were based, turn out not to reflect the corresponding performance in the longer-term. All deferred remuneration awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on GIB during the concerned performance year. Any decision to take back an individual's award can only be taken by the NRC.

The Bank's malus and clawback provisions allow the Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include, but are not limited to, the following:

- Reasonable evidence of misbehaviour or material error by the employee causing harm to the Bank's reputation, or where the employee's actions have amounted to misconduct, incompetence or negligence.
- The employee's business unit suffers a material downturn in its financial performance, or a material risk management failure, or a material restatement of the financial statements of the Bank.
- The employee deliberately misleads the market and/or Shareholders in relation to the financial performance of the Bank.
- A significant deterioration in the financial health of the Bank, or the relevant line of business incurring losses.

Clawback can be used if the malus adjustment on the unvested portion is insufficient, given the nature and magnitude of the issue.

Components of variable remuneration

Variable remuneration has following main components:

Upfront cash	The portion of the variable remuneration that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred cash	The portion of variable remuneration that is awarded and paid in cash on a pro-rata basis over a period of 3 years.

All deferred awards are subject to malus provisions.

c) Description of the ways in which the bank seeks to link performance during a performance measurement period;

The performance of all employees is evaluated in at the Year-end reviews. All employees receive constructive feedback on performance at the Mid-year performance 'check-point'. The performance evaluations of all employees are linked to set targets and measures stated in the Performance Score Card and recorded on-line in GIB's Performance Management System.

Performance is evaluated using the Scorecard methodology. Each employee agrees to certain objectives and is assessed during the year on the progress made on these objectives. Employees are also appraised against their business peers through a Calibration process which is applied to ensure fair and equitable performance evaluation.

Employees are assessed using GIB's On Track / Off Track assessment during the mid-year stage. The assessment provides a common standard for assessing and comparing performance and is used to drive consistency and fairness of performance assessment. The On Track / Off Track assessment has been defined as follows:

On Track:

- Meets or exceeds H1 performance and values-aligned behavioural expectations;
- Likely to receive a 'Good', 'Strong' or 'Top Performer' year-end performance assessment.

Off Track:

- Does not meet H1 performance and/or Values- aligned behavioural expectations and;
- Needs to make improvement in order to receive a Good or Strong Year-End Performance Rating.

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42. REMA - Remuneration policy (continued)

C) Description of the ways in which the bank seeks to link performance during a performance measurement period; (continued)

Employees are assessed against their performance using GIB's 5-point descriptive scale during the yearend. The scale has been defined as follows:

- *Outstanding "Top Performer": Always exceeds performance expectations*
- *Excellent "Strong Performer": Frequently exceeds performance expectations*
- *Fully Effective "Good Performer": Achieves or mostly achieves performance expectations*
- *Partially Meets "Inconsistent Performer": Partially meet performance expectations*
- *Did Not Meet "Poor Performer": Does not meet performance expectations*

The performance management methodology adapted at GIB focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance.

The Bank uses a guided discretionary variable pay determination philosophy, once the bank financial results are produced, Management presents to the NRC a proposed overall variable pay pool which varies based on the bank overall financial performance.

The pool is adjusted based on each stream department results then further down a range is produced for each employee based on individual performance. Line managers then starts the allocation process within the guided ranges which ensures the differentiation between individual's recommendations based on the level of Individual performance. GIB overall pay philosophy is to "Pay for performance" therefore, by the current definition of performance levels explained above "Partially Meets" and "Did not Meets" are not awarded by bank policy.

d) Description of the ways in which the bank seeks to adjust remuneration to take account of longer team performance;

Explained under sections (a), (b) and (c)

e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer team performance;

GIB offer a main form of variable remuneration (cash). Where applicable, employees with variable pay is subject to cash deferral over 3 years.

GIB also applies an incentive scheme to employees engaged in Retail Banking sales function. The scheme concentrates on junior employees only and are annually reviewed validated by HR, Business and approved by NRC.

GIB takes into perspective the business nature, Employee level in addition to the total compensation factors when determining the individual's pay mix, this is validated and determined based on market benchmarking and other elements such as the individual performance and business performance. GIB pay mix ranges between 70/30 fixed to variable for covered staff (business line and control functions) and between 50/50 fixed to variable for CEO, Deputy CEO and 5 most highly paid in business functions.

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43. REM1 - Remuneration awarded during the financial year

	SAR 000's		a	b
	Remuneration amount		Senior management	Other material risk-takers
1	Fixed remuneration	Number of employees	18	172
2		**Total fixed remuneration (3 + 5 + 7)**	**21,349**	**73,590**
3		Of which: cash-based	21,349	73,590
4		Of which: deferred		
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred		
7		Of which: other forms	-	-
8		Of which: deferred		
9	Variable remuneration	Number of employees	18	172
10		**Total variable remuneration (11 + 13 + 15)**	**5,640**	**13,744**
11		Of which: cash-based	5,065	12,904
12		Of which: deferred	575	841
13		Of which: shares or other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17		**Total remuneration (2 + 10)**	**26,989**	**87,334**

44. REM2 - Special payments

SAR 000's	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management			1	55		
Other material risk-takers						

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45. REM3 - Deferred remuneration

SAR 000's	a	b	c	d	e
Deferred and retained remuneration	Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/ or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
Senior management					
Cash	3,682	3,682	-	-	575
Shares					
Cash-linked instruments					
Other					
Other material risk-takers					
Cash	1,719	1,719	-	-	841
Shares					
Cash-linked instruments					
Other					
Total	**5,401**	**5,401**	**-**	**-**	**1,416**

Corporate directory

GULF INTERNATIONAL BANK – SAUDI ARABIA

Head Office
Cooperative Council Road
P.O. Box 93, Al Khobar 31952
Kingdom of Saudi Arabia

Telephone +966 13 866 4000
S.W.I.F.T: GULFSARI

BRANCHES

Riyadh
Granada Business & Residential Park
Eastern Ring Road
P.O. Box 93413, Riyadh 11673

Telephone +966 11 834 8000

Jeddah
Private Offices Building
Prince Sultan Road
P.O. Box 40530, Jeddah 21511

Telephone +966 13 866 4000
Fax: +966 12 275 0114

GULF INTERNATIONAL BANK B.S.C.

Head Office
Al-Dowali Building
3 Palace Avenue
P.O. Box 1017
Manama, Kingdom of Bahrain

Telephone:
General: +973 17 534000
S.W.I.F.T: GULFBHBM
S.W.I.F.T for Retail: GULFBHBMRET
Reuters Direct Dial
Forex Unit & Options: GIBB

BRANCHES

United Arab Emirates

Abu Dhabi

Nation Towers, Unit 2501
25th Floor, Tower 2
Corniche Road
P.O. Box 27051
Abu Dhabi
United Arab Emirates

Telephone: +971 2 305 0444
Fax: +971 2 631 1966
S.W.I.F.T: GULFAEAA

United States of America

New York
330 Madison Avenue
New York, NY 10017
United States of America

Telephone: +1 212 922 2300
S.W.I.F.T: GULFUS33

United Kingdom

London
One Curzon Street
London W1J 5HD
United Kingdom

Telephone:
General: +44 207 259 3456
S.W.I.F.T: GULFGB2L

REPRESENTATIVE OFFICES

United Arab Emirates

Dubai
Boulevard Plaza Tower 2
Unit No. 802, 8th Floor
Sheikh Mohammed Bin
Rashid Boulevard
P.O. Box 9445
Dubai
United Arab Emirates

Telephone: +971 4 355 3235

GIB CAPITAL
A Single Shareholder Company

Granada Business & Residential Park (B1)
Building No: 2414
Riyadh 13241
Kingdom of Saudi Arabia

Telephone: +966 80 0124 0121
Website: www.gibcapital.com

GULF INTERNATIONAL BANK (UK) LIMITED

One Curzon Street
London W1J 5HD
United Kingdom

Telephone: +44 207 259 3456
S.W.I.F.T: SINTGB2L

gulfintlbank
GulfIntlBank
gulfintlbank
GulfIntlBank