

Gulf International Bank - Saudi Arabia
(A Closed Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended
30 June 2023 (Unaudited)

GIB

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH
INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS**

CONTENTS

<u>Note</u>	<u>Page</u>
Interim Consolidated Statement of Financial Position (Unaudited)	1
Interim Consolidated Statement of Income (Unaudited)	2
Interim Consolidated Statement of Comprehensive Income (Unaudited)	3
Interim Consolidated Statement of Changes in Equity (Unaudited)	4
Interim Consolidated Statement of Cash Flows (Unaudited)	5
Notes to the Interim Condensed Consolidated Financial Statements	6-24
1. Incorporation and Registration	6
2. Basis of Preparation	7
3. Impact of Changes in Accounting Policies due to Adoption of New Standards	7-8
4. Cash and Balances with Saudi Central Bank (SAMA)	9
5. Due From Banks and Other Financial Institutions	9
6. Investments	9-11
7. Loans and Advances	12-14
8. Due To Banks and Other Financial Institutions	15
9. Customers' Deposits	15
10. Derivatives and Foreign Exchange Instruments	15-16
11. Contingencies and Commitments	17-18
12. Cash and Cash Equivalents	19
13. Zakat	19
14. Share Capital and Earnings Per Share	19
15. Fair Value of Financial Instruments	20-22
16. Capital Adequacy	22
17. Related Party Transactions	23
18. IBOR Transition (Interest Rate Benchmark Reforms)	24
19. Approval of the Interim Condensed Consolidated Financial Statements	24



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 Professional Services

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

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF INTERNATIONAL BANK – SAUDI ARABIA (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf International Bank – Saudi Arabia (“the Bank”) and its subsidiaries (collectively referred to as “the Group”) as at 30 June 2023, and the related interim condensed consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and explanatory notes (collectively referred to as “the interim condensed consolidated financial statements”). The management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with the *International Accounting Standard 34: Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by the Saudi Central Bank (“SAMA”), certain capital adequacy information has been disclosed in note 16 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 16 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License no. 422



6 Safar 1445H
(22 August 2023)


KPMG Professional Services

Tareq Abdulrahman Al Sunaid
Certified Public Accountant
License no. 419


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT

	Note	30.06.23 (Unaudited) SAR '000	31.12.22 (Audited) SAR '000	30.06.22 (Unaudited) SAR '000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	4	4,243,609	5,150,826	6,602,658
Due from banks and other financial institutions	5	6,191,952	4,534,002	2,599,063
Investments held at:				
Fair value through statement of income (FVSI)	6	252,481	203,003	218,085
Fair value through other comprehensive income (FVOCI)	6	36,252	296,412	356,065
Amortised cost (AC), net	6	8,218,072	6,292,987	5,843,089
Positive fair value of derivatives	10	402,610	417,480	202,591
Loans and advances, net	7	25,877,139	24,790,737	19,961,075
Other assets		380,216	456,165	409,136
Furniture, fixtures and equipment		54,026	51,541	57,165
Right-of-use assets, net		190,820	184,629	186,349
Intangible assets		69,823	49,287	41,048
Total assets		45,917,000	42,427,069	36,476,324
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions	8	6,353,244	4,188,042	2,059,084
Customers' deposits	9	30,663,192	29,595,010	26,120,954
Negative fair value of derivatives	10	299,380	331,559	181,685
Other liabilities		1,003,754	886,948	677,403
Lease liabilities		209,865	193,740	206,728
Total liabilities		38,529,455	35,195,299	29,245,854
Equity				
Share capital	14	7,500,000	7,500,000	7,500,000
Statutory reserve		1,753	1,753	1,753
Fair value reserve		(3,126)	16,163	79,338
Accumulated losses		(111,082)	(286,146)	(350,621)
Total equity		7,387,545	7,231,770	7,230,470
Total liabilities and equity		45,917,000	42,427,069	36,476,324

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


Abdulla Mohammed Al-Zamil
 Chairman


Abdulaziz A. Al-Helaissi
 Chief Executive Officer


Waleed AlKhatlan
 Acting Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

	Note	Three-month ended		Six-month ended	
		30.06.23	30.06.22	30.06.23	30.06.22
		(Unaudited)		(Unaudited)	
		SAR '000	SAR '000	SAR '000	SAR '000
Special commission income		634,523	228,786	1,230,692	413,223
Special commission expense		(427,923)	(90,093)	(809,103)	(142,892)
Net special commission income		206,600	138,693	421,589	270,331
Fee and commission income		77,721	56,116	134,990	120,317
Fee and commission expense		(4,010)	(4,232)	(8,270)	(7,512)
Net fee and commission income		73,711	51,884	126,720	112,805
Exchange income, net		19,336	9,339	41,952	20,398
Gains / (loss) on FVSI investments, net		17,479	(31,130)	26,194	12,581
Gains on other financial instruments, net		63	5,809	931	10,193
Dividend income		244	2,892	3,244	5,777
Other operating income		791	754	4,671	2,257
Total operating income		318,224	178,241	625,301	434,342
Salaries and employee related expenses		(127,069)	(101,584)	(248,608)	(197,216)
Rent and premises related expenses		(4,537)	(2,322)	(6,882)	(4,307)
Depreciation and amortisation		(12,848)	(13,834)	(27,600)	(27,470)
Other general and administrative expenses		(67,501)	(56,835)	(128,898)	(107,341)
Operating expenses before expected credit losses		(211,955)	(174,575)	(411,988)	(336,334)
Expected credit losses on:					
Loans and advances	7	(49,646)	(15,057)	(73,601)	(33,524)
Financial contingencies and commitments	11	2,457	4,660	1,823	3,705
Investments	6	(80)	(175)	(413)	(714)
Total expected credit losses		(47,269)	(10,572)	(72,191)	(30,533)
Total operating expenses		(259,224)	(185,147)	(484,179)	(366,867)
Income / (loss) for the period before zakat		59,000	(6,906)	141,122	67,475
Zakat (charge) / reversal		(10,477)	2,017	(26,222)	(10,971)
Net income / (loss) for the period		48,523	(4,889)	114,900	56,504
Earnings per share (expressed in SAR per share)					
Basic and diluted earnings per share	14	0.06	(0.01)	0.15	0.08

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023

	Three-month ended		Six-month ended	
	30.06.23	30.06.22	30.06.23	30.06.22
	(Unaudited)			
	SAR '000	SAR '000	SAR '000	SAR '000
Net income / (loss) for the period	48,523	(4,889)	114,900	56,504
Other comprehensive income / (loss):				
<i>Items that will not be reclassified to the statement of income in subsequent periods:</i>				
- Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVOCI)	39,072	(3,435)	40,875	56,421
Other comprehensive income / (loss) for the period	39,072	(3,435)	40,875	56,421
Total comprehensive income / (loss) for the period	87,595	(8,324)	155,775	112,925

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

<u>For the six-month period ended 30 June 2023 (Unaudited)</u>	Share capital SAR '000	Statutory reserve SAR '000	Fair value reserve SAR '000	Accumulated losses SAR '000	Total SAR '000
Balance at 1 January 2023	7,500,000	1,753	16,163	(286,146)	7,231,770
Net income for the period	-	-	-	114,900	114,900
Other comprehensive income for the period	-	-	40,875	-	40,875
Total comprehensive income for the period	-	-	40,875	114,900	155,775
Disposal of FVOCI equity investments	-	-	(60,164)	60,164	-
Balance at 30 June 2023	7,500,000	1,753	(3,126)	(111,082)	7,387,545

<u>For the year ended 31 December 2022 (Audited)</u>	Share capital SAR '000	Statutory reserve SAR '000	Fair value reserve SAR '000	Accumulated losses SAR '000	Total SAR '000
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	-	-	(6,754)	(10,033)	(16,787)
Total comprehensive 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

<u>For the six-month period ended 30 June 2022 (Unaudited)</u>	Share capital SAR '000	Statutory reserve SAR '000	Fair value reserve SAR '000	Accumulated losses SAR '000	Total SAR '000
Balance at 1 January 2022	7,500,000	1,753	22,917	(407,125)	7,117,545
Net income for the period	-	-	-	56,504	56,504
Other comprehensive income for the period	-	-	56,421	-	56,421
Total comprehensive income for the period	-	-	56,421	56,504	112,925
Balance at 30 June 2022	7,500,000	1,753	79,338	(350,621)	7,230,470

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

	Note	2023 (Unaudited) SAR '000	2022 (Unaudited) SAR '000
OPERATING ACTIVITIES			
Net income before zakat for the period		141,122	67,475
Adjustments to reconcile net income before zakat to net cash flow from / (used in) operating activities:			
Depreciation and amortisation		17,334	15,888
Depreciation of right-of-use assets		10,266	11,582
Interest expense on lease liabilities		5,549	5,283
Expected credit losses on investments		413	714
Expected credit losses on loans and advances		73,601	33,524
Expected credit losses reversals on financial contingencies and commitments		(1,823)	(3,705)
Gains on FVSI investments		(26,194)	(12,581)
Gains on other financial instruments		(931)	(10,193)
		<u>219,337</u>	<u>107,987</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(110,739)	(35,688)
Due from banks and other financial institutions		29	26
Positive fair value of derivatives		15,801	5,934
Loans and advances		(1,158,180)	3,584,026
Other assets		75,949	(1,172)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		2,165,202	(267,833)
Negative fair value of derivatives		(32,179)	(40,991)
Customers' deposits		1,068,182	(1,115,506)
Other liabilities		70,187	(13,144)
Net cash from operating activities		<u>2,313,589</u>	<u>2,223,639</u>
INVESTING ACTIVITIES			
Purchase of investments		(1,925,498)	(482,120)
Proceed from sale of investments		302,751	-
Purchase of furniture, fixtures, equipment and intangible assets		(40,355)	(15,554)
Net cash used in investing activities		<u>(1,663,102)</u>	<u>(497,674)</u>
FINANCING ACTIVITY			
Lease liabilities paid		(10,581)	(5,283)
Net cash used in financing activity		<u>(10,581)</u>	<u>(5,283)</u>
Net increase in cash and cash equivalents		639,906	1,720,682
Cash and cash equivalents at the beginning of the period	12	<u>8,110,176</u>	<u>5,857,811</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	<u><u>8,750,082</u></u>	<u><u>7,578,493</u></u>

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)**

1. INCORPORATION AND REGISTRATION

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 activities comprise wholesale, commercial, and retail banking services. 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").

Name of subsidiary	Ownership interest % held by the owners of the Bank		
	30.06.23	31.12.22	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.

Funds managed by the Group

The group has investments in the funds: a) GIB Opportunistic Mena Equity Fund ; b) GIB MENA ESG Equity Fund ; (c) GIB Opportunistic Saudi Equity Fund; (d) GIB Saudi Equity Fund ; (e) GIB Murabaha Fund. The funds' investment objective is to generate returns by investing in the capital market.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)**

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022.

The consolidated financial statements of the Group as at and for the year ended 31 December 2022, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and amounts are rounded to the nearest thousand except where otherwise stated and the functional currency of the Bank is Saudi Riyal except where otherwise stated in the notes to the interim condensed consolidated financial statements.

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation were consistent with those that were applied to the consolidated financial statements as at and for the year ended 31 December 2022.

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.

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

a) New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2023, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

**Standards, interpretations,
amendments**

Description

Effective date

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.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

3. IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)

a) New standards, interpretations and amendments adopted by the Group (continued)

Standards, interpretations,
amendments

Description

Effective date

IFRS 17, 'Insurance contracts', as amended in December 2021

This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Annual periods beginning on or after 1 January 2023

b) Accounting standards issued but not yet effective

Standards, interpretations,
amendments

Description

Effective date

Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.

Deferred until accounting periods starting not earlier than 1 January 2024

Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Note that the IASB has issued a new exposure draft proposing changes to this amendment.

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

Amendment to IFRS 16, Lease Liability in a Sale and Leaseback

Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.

1 January 2024

Amendments to IAS 1, Non-current Liabilities with Covenants

Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.

1 January 2024

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

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

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Money market placements with SAMA (note 4.1)	2,575,624	3,587,000	4,982,515
Statutory deposits (note 4.2)	1,655,408	1,544,552	1,593,209
Cash in hand	7,780	15,784	23,835
Current account	4,797	3,490	3,099
	<u>4,243,609</u>	<u>5,150,826</u>	<u>6,602,658</u>

4.1 Money market placements with SAMA represents overnight reverse repo placement with SAMA that mature on 2 July 2023 (31 December 2022: 1 January 2023 and 30 June 2022: 3 July 2022).

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, 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 12), when preparing the interim condensed consolidated statement of cash flows.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Current accounts	1,445,491	1,422,571	1,180,324
Money market placements	4,746,461	3,111,431	1,418,739
	<u>6,191,952</u>	<u>4,534,002</u>	<u>2,599,063</u>

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 on demand balances and short-term placements with investment grade banks and impact of expected credit losses is considered to be immaterial.

6. INVESTMENTS

a) Investment securities are classified as follows:

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Investments held at amortised cost - gross (6f)	8,219,720	6,294,222	5,844,864
Less: expected credit losses (6g)	(1,648)	(1,235)	(1,775)
Investments held at amortised cost - net (6c)	8,218,072	6,292,987	5,843,089
Investments held at FVSI (6d)	252,481	203,003	218,085
Investments held FVOCI (6e)	36,252	296,412	356,065
	<u>8,506,805</u>	<u>6,792,402</u>	<u>6,417,239</u>

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

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Government and quasi government	7,489,511	5,485,459	4,841,774
Corporate	435,725	925,709	1,323,741
Banks and other financial institutions	583,217	382,469	253,499
Less: expected credit losses	(1,648)	(1,235)	(1,775)
	<u>8,506,805</u>	<u>6,792,402</u>	<u>6,417,239</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

6. INVESTMENTS (continued)

c) Investments held at amortised cost (AC)

	Quoted	Unquoted	Total
30 June 2023 (Unaudited)			
Debt securities - fixed-rate securities	7,801,101	15,096	7,816,197
Debt securities - floating-rate securities	328,286	75,237	403,523
Less: expected credit losses	(1,205)	(443)	(1,648)
	8,128,182	89,890	8,218,072
31 December 2022 (Audited)			
Debt securities - fixed-rate securities	5,868,887	15,071	5,883,958
Debt securities - floating-rate securities	335,014	75,250	410,264
Less: expected credit losses	(1,162)	(73)	(1,235)
	6,202,739	90,248	6,292,987
30 June 2022 (Unaudited)			
Debt securities - fixed-rate securities	5,025,731	65,489	5,091,220
Debt securities - floating-rate securities	678,492	75,152	753,644
Less: expected credit losses	(642)	(1,133)	(1,775)
	5,703,581	139,508	5,843,089

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

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Mutual funds	228,781	179,515	192,254
Equity investments	23,700	23,488	25,831
	252,481	203,003	218,085

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

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Equity investments	36,252	296,412	356,065

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 period, the Group disposed of certain investments measured at FVOCI and realised a total gain of SAR 60 million. 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:

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Balance at 1 January	6,883	6,098	6,098
Further investments made	-	3,750	-
Net change in fair value	3,407	(2,965)	-
Balance at period / year end	10,290	6,883	6,098

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

6. INVESTMENTS (continued)

f) The following table shows the reconciliation of gross carrying amounts from the opening to the closing balance of the investments held at amortised cost:

30 June 2023 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2023	6,294,222	6,294,222
Net change	1,925,498	1,925,498
Balance at 30 June 2023	<u>8,219,720</u>	<u>8,219,720</u>

31 December 2022 (Audited)

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

30 June 2022 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2022	5,362,744	5,362,744
Net change	482,120	482,120
Balance at 30 June 2022	<u>5,844,864</u>	<u>5,844,864</u>

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

30 June 2023 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2023	1,235	1,235
Net remeasurement of loss allowance	413	413
Balance at 30 June 2023	<u>1,648</u>	<u>1,648</u>

31 December 2022 (Audited)

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

30 June 2022 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2022	1,061	1,061
Net remeasurement of loss allowance	714	714
Balance at 30 June 2022	<u>1,775</u>	<u>1,775</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

7. LOANS AND ADVANCES

a) Loans and advances are classified as follows:

30 June 2023 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	23,901,255	695,510	1,299,368	25,896,133
Non-performing loans and advances	563,437	-	13,244	576,681
Loans and advances, gross	24,464,692	695,510	1,312,612	26,472,814
Less: expected credit losses	(566,140)	(216)	(29,319)	(595,675)
Loans and advances, net	23,898,552	695,294	1,283,293	25,877,139
31 December 2022 (Audited)	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: 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
30 June 2022 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	18,307,024	447,921	1,198,442	19,953,387
Non-performing loans and advances	589,166	-	5,938	595,104
Loans and advances, gross	18,896,190	447,921	1,204,380	20,548,491
Less: expected credit losses	(563,264)	(304)	(23,848)	(587,416)
Loans and advances, net	18,332,926	447,617	1,180,532	19,961,075

b) Reconciliation of gross carrying amounts:

30 June 2023 (Unaudited)	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL increase in SICR but not impaired)	Stage 3 (lifetime ECL credit- impaired)	Total
Balance at 1 January 2023	23,858,497	941,342	631,500	25,431,339
<i>Transfers during the period</i>				
Transfer to Stage 1	222,431	(222,431)	-	-
Transfer to Stage 2	(309,310)	309,310	-	-
Transfer to Stage 3	(985)	(46,221)	47,206	-
	(87,864)	40,658	47,206	-
Written-off during the period	-	-	(118,528)	(118,528)
Net change during the period	1,050,158	93,342	16,503	1,160,003
Balance at 30 June 2023	24,820,791	1,075,342	576,681	26,472,814

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

7. LOANS AND ADVANCES (continued)

b) Reconciliation of gross carrying amounts: (continued)

31 December 2022 (Audited)	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	22,349,026	1,204,609	578,072	24,131,707
<i>Transfers during the year</i>				
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	<u>23,858,497</u>	<u>941,342</u>	<u>631,500</u>	<u>25,431,339</u>

30 June 2022 (Unaudited)	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	22,349,026	1,204,609	578,072	24,131,707
<i>Transfers during the period</i>				
Transfer to Stage 1	72,445	(72,445)	-	-
Transfer to Stage 2	(3,892)	3,892	-	-
Transfer to Stage 3	(361)	(14,357)	14,718	-
	68,192	(82,910)	14,718	-
Written-off during the period	-	-	(2,895)	(2,895)
Net change during the period	(3,559,786)	(25,744)	5,209	(3,580,321)
Balance at 30 June 2022	<u>18,857,432</u>	<u>1,095,955</u>	<u>595,104</u>	<u>20,548,491</u>

c) Reconciliation of expected credit losses:

30 June 2023 (Unaudited)	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit- impaired)	Total
Balance at 1 January 2023	76,354	148,430	415,818	640,602
<i>Transfers during the period</i>				
Transfer to Stage 1	6,094	(6,094)	-	-
Transfer to Stage 2	(860)	860	-	-
Transfer to Stage 3	(13)	(29,817)	29,830	-
	5,221	(35,051)	29,830	-
<i>Charge/(reversal) during the period</i>				
Corporate	5,004	2,349	52,694	60,047
Retail	(2,235)	37	15,752	13,554
	2,769	2,386	68,446	73,601
<i>Written-off during the period</i>				
Corporate	-	-	(107,530)	(107,530)
Retail	-	-	(10,998)	(10,998)
	-	-	(118,528)	(118,528)
Balance at 30 June 2023	<u>84,344</u>	<u>115,765</u>	<u>395,566</u>	<u>595,675</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

7. LOANS AND ADVANCES (continued)

c) Reconciliation of expected credit losses: (continued)

31 December 2022 (Audited)	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	61,364	171,311	324,112	556,787
<i>Transfers during the year</i>				
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	-
<i>Charge/(reversal) during the year</i>				
Corporate	13,337	(14,082)	77,534	76,789
Retail	738	(120)	15,089	15,707
	14,075	(14,202)	92,623	92,496
<i>Written-off during the year</i>				
Corporate	-	-	-	-
Retail	-	-	(8,681)	(8,681)
	-	-	(8,681)	(8,681)
Balance at 31 December 2022	76,354	148,430	415,818	640,602

30 June 2022 (Unaudited)	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	61,364	171,311	324,112	556,787
<i>Transfers during the period</i>				
Transfer to Stage 1	1,324	(1,324)	-	-
Transfer to Stage 2	(62)	62	-	-
Transfer to Stage 3	-	(3,217)	3,217	-
	1,262	(4,479)	3,217	-
<i>Charge/(reversal) during the period</i>				
Corporate	3,716	3,327	20,758	27,801
Retail	(760)	686	5,797	5,723
	2,956	4,013	26,555	33,524
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(2,895)	(2,895)
	-	-	(2,895)	(2,895)
Balance at 30 June 2022	65,582	170,845	350,989	587,416

d) Expected credit losses' charge for the period / year:

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Corporate	60,047	76,789	27,801
Retail	13,554	15,707	5,723
Total	73,601	92,496	33,524

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

8. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Current accounts	97,730	68,732	122,143
Money market deposits (note 8.1)	6,255,514	4,119,310	1,936,941
	<u>6,353,244</u>	<u>4,188,042</u>	<u>2,059,084</u>

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

9. CUSTOMERS' DEPOSITS

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Demand	16,209,424	15,001,961	14,680,256
Time	13,900,671	13,346,902	10,814,500
Saving	311,869	323,649	362,137
Margin	241,228	922,498	264,061
	<u>30,663,192</u>	<u>29,595,010</u>	<u>26,120,954</u>

10. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS

The tables below summarise the positive and negative fair values of derivative financial instruments, together with the notional amounts. 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.

<u>30 June 2023 (Unaudited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	161,973	(154,371)	8,351,276
Commission rate futures and currency options	124,962	(124,922)	6,981,503
Forward foreign exchange	8,019	(5,602)	933,538
Others	14,112	(13,971)	304,317
<u>Held as fair value hedge</u>			
Commission rate swaps - loans and investments	65,231	(514)	1,405,308
Commission rate swaps - deposits	28,313	-	1,516,296
	<u>402,610</u>	<u>(299,380)</u>	<u>19,492,238</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

10. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS (continued)

<u>31 December 2022 (Audited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
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	16,202	(15,393)	629,019
Others	4,037	(3,835)	329,413
<u>Held as fair value hedge</u>			
Commission rate swaps - loans and investments	76,582	(87)	1,294,886
Commission rate swaps - deposits	6,662	(2,439)	999,586
	<u>417,480</u>	<u>(331,559)</u>	<u>21,033,969</u>
<u>30 June 2022 (Unaudited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	104,062	(101,833)	10,666,602
Commission rate futures and options	70,499	(70,499)	6,423,261
Forward foreign exchange contracts	3,770	(3,912)	893,748
Others	700	(700)	60,038
<u>Held as fair value hedge</u>			
Commission rate swaps - loans and investments	23,560	(4,520)	1,333,809
Commission rate swaps - deposits	-	(221)	99,996
	<u>202,591</u>	<u>(181,685)</u>	<u>19,477,454</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

11. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 30 June 2023, there were no significant legal proceedings outstanding against the Group which requires a disclosure or provision. The Group is subject to legal proceedings in the ordinary course of business.

b) Credit related contingencies and commitments

i) The breakdown of credit related contingencies and commitment is as follows:

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Letters of guarantee	12,185,179	11,150,947	9,666,726
Irrevocable commitments to extend credit	4,999,322	2,695,949	5,036,424
Letters of credit	2,148,840	2,006,989	2,342,557
Acceptances	1,185,846	1,452,691	1,364,007
	<u>20,519,187</u>	<u>17,306,576</u>	<u>18,409,714</u>

ii) Reconciliation of exposure of financial contingencies and commitments:

	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
30 June 2023 (Unaudited)				
Balance at 1 January 2023	15,507,553	1,444,009	355,014	17,306,576
<i>Transfers during the period</i>				
Transfer to Stage 1	593,383	(593,383)	-	-
Transfer to Stage 2	(23,865)	23,865	-	-
Transfer to Stage 3	-	-	-	-
	569,518	(569,518)	-	-
Net change during the period	3,423,968	(170,267)	(41,090)	3,212,611
Balance at 30 June 2023	<u>19,501,039</u>	<u>704,224</u>	<u>313,924</u>	<u>20,519,187</u>
31 December 2022 (Audited)				
Balance at 1 January 2022	11,067,892	4,449,425	409,627	15,926,944
<i>Transfers during the year</i>				
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	4,321,701	(2,887,456)	(54,613)	1,379,632
Balance at 31 December 2022	<u>15,507,553</u>	<u>1,444,009</u>	<u>355,014</u>	<u>17,306,576</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

11. CONTINGENCIES AND COMMITMENTS (continued)

ii) Reconciliation of exposure of financial contingencies and commitments: (continued)

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
30 June 2022 (Unaudited)				
Balance at 1 January 2022	11,067,892	4,449,425	409,627	15,926,944
<i>Transfers during the period</i>				
Transfer to Stage 1	43,825	(43,825)	-	-
Transfer to Stage 2	(23,858)	23,858	-	-
Transfer to Stage 3	-	-	-	-
	19,967	(19,967)	-	-
Net change during the period	2,627,961	(124,436)	(20,755)	2,482,770
Balance at 30 June 2022	13,715,820	4,305,022	388,872	18,409,714

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
30 June 2023 (Unaudited)				
Balance at 1 January 2023	12,056	12,286	116,995	141,337
<i>Transfers during the period</i>				
Transfer to Stage 1	2,925	(2,925)	-	-
Transfer to Stage 2	(27)	27	-	-
Transfer to Stage 3	-	-	-	-
	2,898	(2,898)	-	-
Charge / (reversal) during the period	3,594	(570)	(4,847)	(1,823)
Balance at 30 June 2023	18,548	8,818	112,148	139,514

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
30 June 2022 (Unaudited)				
Balance at 1 January 2022	8,723	6,060	123,412	138,195
<i>Transfers during the period</i>				
Transfer to Stage 1	221	(221)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	221	(221)	-	-
Charge / (reversal) during the period	4,105	124	(7,934)	(3,705)
Balance at 30 June 2022	13,049	5,963	115,478	134,490

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

12. CASH AND CASH EQUIVALENTS

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Cash and balances with			
Saudi Central Bank (SAMA) excluding statutory deposit	2,588,201	3,606,274	5,009,449
Due from banks and other financial institutions with original maturities of three-months or less	6,161,881	4,503,902	2,569,044
	8,750,082	8,110,176	7,578,493

13. ZAKAT

Gulf International Bank - Saudi Arabia

The Bank has filed its zakat declaration with the Zakat, Tax and Customs Authority ("ZATCA") for the periods / years from 2019 till 31 December 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 years 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 2022.

14. SHARE CAPITAL AND EARNINGS PER SHARE

The authorised, issued and fully paid share capital at 30 June 2023 comprised 750 million shares (31 December 2022 and 30 June 2022 ; 750 million shares) of SAR 10 each. The shareholders of the Bank comprise: Gulf International Bank B.S.C. (50%) and Public Investment Fund (50%). Public Investment Fund is the ultimate parent of the Group. Basic and diluted earnings per share for the periods ended 30 June 2023 and 2022 is calculated on a weighted average basis by dividing the net income for the period by 750 million shares.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)**

15. FAIR VALUE 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:

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

The fair values of on-balance sheet financial instruments are not significantly different from their carrying amounts included in the interim condensed consolidated financial statements.

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 (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

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

For assets and liabilities that are recognised at fair value 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. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. 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 to fair value.

At 30 June 2023 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value:</u>					
Investments held at FVOCI	36,252	25,962	-	10,290	36,252
Investments held at FVSI	252,481	23,700	228,781	-	252,481
Positive fair value of derivatives	402,610	-	402,610	-	402,610
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	8,218,072	-	5,186,543	2,900,939	8,087,482
Loans and advances, net	25,877,139	-	-	26,574,771	26,574,771

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2022 (Audited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value:</u>					
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
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	6,292,987	-	4,127,401	2,004,015	6,131,416
Loans and advances, net	24,790,737	-	-	25,138,163	25,138,163
At 30 June 2022 (Unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial assets measured at fair value:</u>					
Investments held at FVOCI	356,065	349,967	-	6,098	356,065
Investments held at FVSI	218,085	25,831	192,254	-	218,085
Positive fair value of derivatives	202,591	-	202,591	-	202,591
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	5,843,089	-	3,263,752	2,240,472	5,504,224
Loans and advances, net	19,961,075	-	-	20,684,347	20,684,347
At 31 June 2023 (Unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial liabilities measured at fair value:</u>					
Negative fair value of derivatives	299,380	-	299,380	-	299,380
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	30,663,192	-	-	29,925,977	29,925,977
At 31 December 2022 (Audited)	Carrying value	Level 1	Level 2	Level 3	Total
<u>Financial liabilities measured at fair value:</u>					
Negative fair value of derivatives	331,559	-	331,559	-	331,559
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	29,595,010	-	-	28,912,211	28,912,211

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 June 2022 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities measured at fair value:</u>					
Negative fair value of derivatives	181,685	-	181,685	-	181,685
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	26,120,954	-	-	25,754,944	25,754,944

The fair value of financial assets and liabilities not measured at fair value are estimated either by using a discounted cash flow model that incorporates assumptions for various risk factors or using the direct observable input for similar security transactions in the market. Derivatives classified as Level 2 comprise over-the-counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts and other derivative financial instruments. These derivatives are fair valued using the Group's valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers. Loans and advances and customers' deposits are classified as Level 3, the fair value of which is determined by discounting future cash flows using expected market rates. There were no transfers between the levels of fair value hierarchies during the period.

16. CAPITAL ADEQUACY

The Group's objectives when managing capital are to comply with the capital requirements set by SAMA, to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

Capital adequacy and the use of regulatory capital are monitored regularly by management. SAMA requires holding the minimum level of the regulatory capital of and maintaining a ratio of total regulatory capital to the risk-weighted asset at or above Basel prescribed minimum.

The Group 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 amounts of derivatives at a weighted amount to reflect their relative risk.

The current period numbers are presented as per Basel IV regulation issued by SAMA (circular number 44047144) effective from 1 January 2023, while the prior period is based on Basel III regulations.

The following table summarizes the Group's Pillar-I Risk Weighted Assets, Tier I and Tier II Capital and Capital Adequacy Ratios.

	30.06.23 (Unaudited)	31.12.22 (Audited)	30.06.22 (Unaudited)
Risk Weighted Assets (RWA)			
Credit risk RWA	38,641,155	34,974,262	30,746,363
Operational risk RWA	1,217,537	1,361,785	1,361,785
Market risk RWA	2,418,738	459,678	643,771
Total Pillar-I RWA	42,277,430	36,795,725	32,751,919
Tier I capital	7,317,722	7,182,483	7,189,422
Tier II capital	229,123	250,361	257,214
Total Tier I & II Capital	7,546,845	7,432,844	7,446,636
Capital adequacy ratios %			
Tier I ratio	17.31%	19.52%	21.95%
Tier I + Tier II ratio	17.85%	20.20%	22.74%
CET I ratio	17.31%	19.52%	21.95%

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)

17. 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.

- (i) The significant balances resulting from such transactions included in the interim condensed consolidated financial statements are as follows:

	<u>30.06.23</u>	<u>31.12.22</u>	<u>30.06.22</u>
Gulf International Bank BSC, its subsidiaries and branches:			
Due from banks and other financial institutions	46,035	542,512	43,733
Due to banks and other financial institutions	117,001	947,137	1,117,789
Other assets	123,094	127,147	136,337
Other liabilities	244,212	145,020	164,697
Public Investment Fund and its subsidiaries:			
Loans and advances	1,130,475	2,841,875	1,140,241
Customers' deposits	10,726,614	10,296,798	8,693,510

- (ii) Off-balance sheet significant balances are as follows:

	<u>30.06.23</u>	<u>31.12.22</u>	<u>30.06.22</u>
Gulf International Bank BSC, its subsidiaries and branches:			
Derivatives	11,744,736	12,004,034	10,777,145
Contingencies and commitments	1,652,437	1,380,255	881,424
Public Investment Fund and its subsidiaries:			
Derivatives	2,115,035	2,457,918	1,270,578
Contingencies and commitments	3,602,948	3,698,700	5,276,117

- (iii) Significant income and expenses pertaining to transactions with related parties included in the interim condensed consolidated financial statements are as follows:

	<u>30.06.23</u>	<u>31.12.22</u>	<u>30.06.22</u>
Gulf International Bank BSC, its subsidiaries and branches:			-
Special commission income	23,335	1,477	5,350
Special commission expense	8,266	7,768	1,847
Fees and commission income and expense, net	178	318	34
Public Investment Fund and its subsidiaries:			
Special commission income	52,676	76,166	20,032
Special commission expense	275,944	161,685	13,525
Fees and commission income and expense, net	4,846	26,731	4,500

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023
(AMOUNTS IN SAR '000)**

18. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

A fundamental review and reform of major profit rate benchmarks are being undertaken globally. The IASB has published, in two phases, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 in order to address issues that might affect financial reporting after the reform of an interest rate benchmark, including the replacement of an existing London Inter-bank Offer Rate ("LIBOR") with an alternative Risk-Free Rate ("RFR").

Management had put in place a robust transition project for those contracts which reference LIBOR and to transition them to the alternate benchmarks as applicable. This transition project considered changes to systems, processes, risk management policies, and models, as well as accounting implications. Further, the Bank has actively approached customers for awareness and led communication and negotiations with affected counterparties. As of 30 June 2023, transition is mostly completed for all impacted eligible instruments. Remaining positions with Libor reference a) will either mature in period ended 30 September 2023 and are not subject to transition, or b) will be transitioned in coming weeks in the next fixing date.

19. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 27 July 2023G (corresponding to 9 Muharram 1445H).