GIB

بنك الخليج الدولي

Gulf International Bank - Saudi Arabia

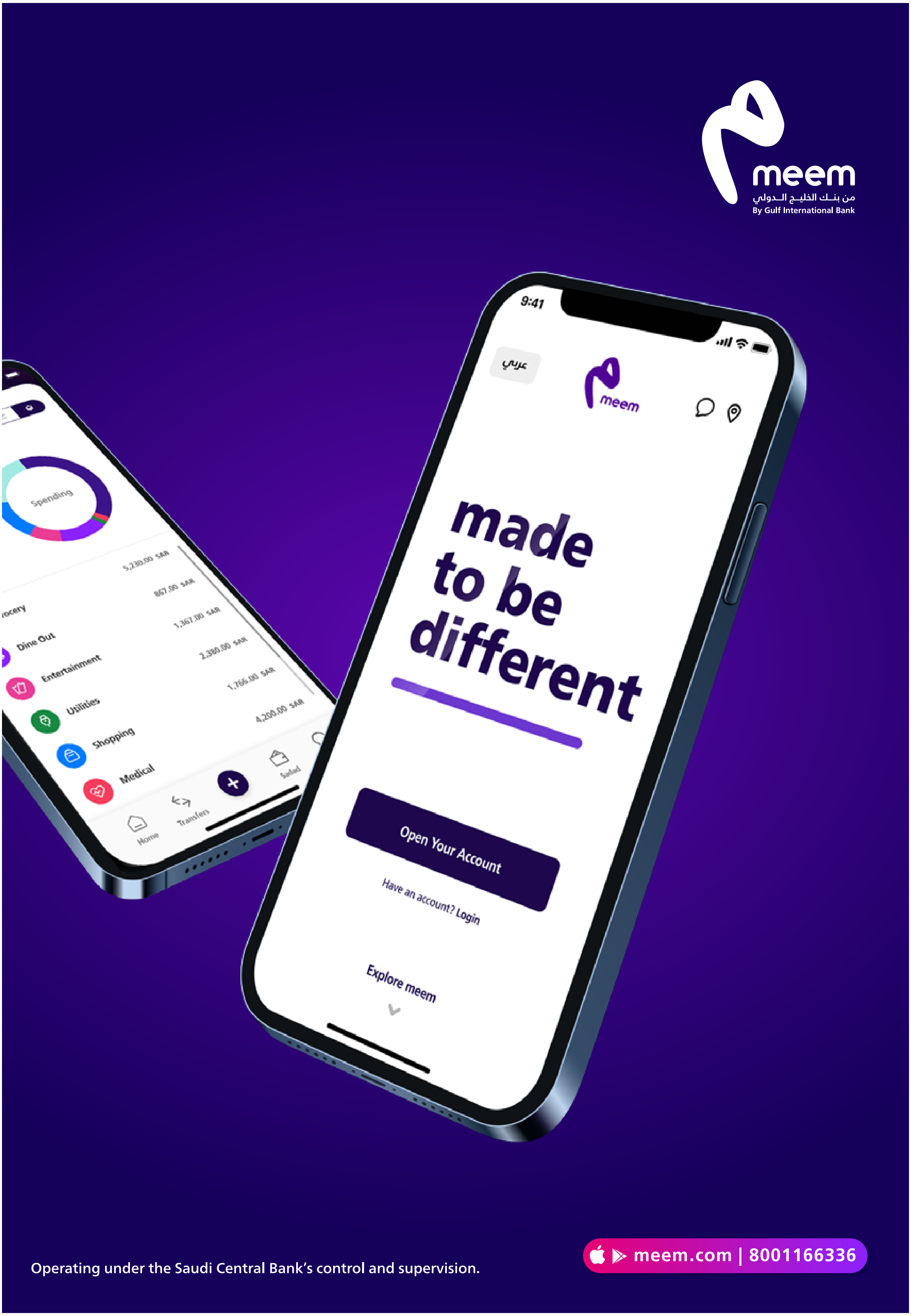
Annual Report 2021

www.gib.com

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

CONTENTS


meem
من بنك الخليج الدولي
By Gulf International Bank
9:41
عربي
meem
made to be different
Open Your Account
Have an account? Login
Explore meem
Spending
5,230.00 SAR
867.00 SAR
1,367.00 SAR
2,380.00 SAR
1,766.00 SAR
4,200.00 SAR
Dine Out
Entertainment
Utilities
Shopping
Medical
Home
Transfers
Sadad
Operating under the Saudi Central Bank's control and supervision.
meem.com | 8001166336

Contents

GIB
بنك الخليج الدولي

Gulf International Bank - Saudi Arabia

GIB began operating in Saudi Arabia in 1999 as a foreign bank, providing wholesale and investment banking services and 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 Gulf International Bank - Saudi Arabia (GIB Saudi Arabia).

GIB Saudi Arabia is headquartered in Al Khobar and has branches in Riyadh and Jeddah with its Riyadh based subsidiary, GIB Capital, delivering the Bank's investment banking activities.

GIB Saudi Arabia provides diverse financial products, services and bespoke banking solutions to a wide client base. This includes corporate, institutional, global transaction and investment banking; treasury and asset management; and meem, the world's first fully-digital Shariah-compliant retail bank. Its services are delivered across the GCC and international markets through GIB B.S.C. in Bahrain and the UAE, and GIB (UK) Ltd. in London and New York.

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.

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

Board of Directors

Engr. Abdulla bin Mohammed Al Zamil
Chairman

Dr. Abdullah bin Hassan Alabdulgader
Vice Chairman

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

Dr. Najem bin Abdulla Al Zaid
Director

Mr. Rajeev Kakar
Director

Mr. Bander bin Abdulrahman bin Mogren
Director

Mr. Sultan bin Abdul Malek Al Sheikh
Director

Mrs. Anju Patwardhan
Director

Mr. Selman Fares M. Al Fares
Director

Engr. Muhannad bin Kusai bin Hasan Al Azzawi
Director

Financial Highlights

	2021	2020
Financial performance (SAR millions)		
Net income / (loss) after Zakat	**110.96**	(437.9)
Net special commission income	**469.6**	461.1
Net fee and commission income	**180.3**	94.2
Operating expenses before impairment charges	**612.2**	527.3
Financial position (SAR millions)		
Total assets	**37,789.6**	32,906.8
Loans and advances	**23,574.9**	18,786.1
Investments	**5,866.5**	3,161.1
Customer deposits	**27,236.5**	22,368.4
Total equity	**7,117.6**	7,059.2
Ratios (per cent)		
Profitability / (loss)		
Return on equity	**1.6**	(6.2)
Return on assets	**0.3**	(1.3)
Capital		
Capital Adequacy ratios		
- Tier 1	**21.37**	25.8
- Tier 2	**22.12**	26.48
Equity as % of total assets	**18.83**	21.5
Assets quality		
Investments as % of total assets	**15.52**	9.6
Loans and advances as % of total assets	**62.38**	57.1

Chairman's statement

Abdulla bin Mohammed Al Zamil
Chairman of the Board

"Despite a challenging business environment, GIB's financial performance in 2021 has positively rebounded compared to 2020."

On behalf of the Board of Directors, it is my privilege to present the annual report and consolidated financial statements of Gulf International Bank - Saudi Arabia (GIB) for the fiscal year ended 31st December 2021.

'Turning Point' 'Springboard' 'Launchpad'

These are the terms I would use to characterise 2021 for the Bank. After the extraordinary global disruptions and tribulations caused by the Coronavirus pandemic in 2020, I am immensely proud to report that due to the fortitude and resilience of our people; the strength of our business model; and our partnerships with clients and other stakeholders, GIB KSA is able to report a successful 2021.

Economic and Market Environment

The Kingdom's government faced up to Coronavirus with strength and determination in 2020, and their co-ordinated and decisive efforts meant that we entered 2021 with an ambitious vaccination programme that helped contain the public health challenges, sheltered the most vulnerable, and allowed economic activity to recover.

Stimulus packages and robust oil prices have given momentum to the upturn, with companies returning to growth mode, the Saudi government giga-projects being rolled out, and global financial conditions remaining very supportive, most notably in the very low level of interest rates. GCC stock market performances further reflect the improving conditions with all regional indices ending the year with strong gains.

The rebound in GDP and commercial activity is also being accompanied by a broad agenda to drive diversification, fiscal and structural reforms, as well as embracing sustainability and embedding environmental, social and governance principles into the broader economic policy framework.

With the pace of growth expected to continue accelerating, the near-term economic prospects are broadly favourable for Saudi Arabia. This will help ease some of the burdens that have been accumulating since 2020, including weakened fiscal positions and rising social and public health demands, while regional reform efforts and new opportunities borne out of the crisis will provide new vistas for investment and further expansion.

Financial Performance

Despite a challenging business environment, GIB's financial performance in 2021 has positively rebounded compared to 2020. The Bank was able to attract new business and increase its loan book by 25 per cent, in addition to stock market rebounds impacting the trading income positively. The Bank has also recovered SAR 11.4 million from written off assets. Due to the prudent and conservative decision to book significant provisions on the stressed portfolio in 2020, the Bank booked a modest SAR 56.3 million of expected credit losses in 2021. These factors contributed to total operating income for the year increasing to SAR 804.2 million from SAR 627.6 million in 2020. Net income before provisions and tax significantly increased to SAR 191.9 million from SAR 100.3 million in 2020. GIB reported a net income of SAR 111 million for the year compared with net loss of SAR 438 million in 2020. The Bank continued to maintain a strong balance sheet, with consolidated total assets at the end of the year standing at SAR 37.8 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 and other financial institutions stood at SAR 7.4 billion, representing 20 per cent of total assets. Placements with banks exceeded deposits from banks, with GIB continuing to be a net lender to the interbank market. Loans and advances at the end of 2021 totalled SAR 23.6 billion compared to SAR 18.8 billion the previous year. A comprehensive report and analysis of the Bank's financial performance for 2021 is covered in the Financial Review.

Funding Profile

GIB continued to maintain a stable funding profile in 2021. The Bank's funding is derived primarily from customer deposits, accounting for 92 per cent of total deposits and exceeding loans and advances by 1.3 times.

GIB's stable funding position demonstrates the ongoing confidence of our clients and counterparties; and confirms the Bank's commitment to expand and diversify its funding sources and utilise different structures to achieve an optimal cost of funding. These include securing more competitive and stable funding through continued focus on retail and global transactional banking activities, and diversifying revenues away from lending and use of the balance sheet through greater contributions from treasury, investment banking and asset management.

Chairman's statement (continued)

Ratings Confirmation

The international rating agencies again reaffirmed their confidence in GIB's financial standing during 2021. Fitch Ratings reaffirmed the Bank's long-term issuer default rating at 'BBB+' with a stable outlook. Moody's Investors Service reaffirmed GIB's long-term deposit ratings at 'Baa1' with a stable outlook. These rating confirmations reflect the agencies' continued confidence in the Bank's strong shareholder structure, solid capital and competent management, as well as its sound asset quality and strong levels of liquidity. These affirmations are also important independent validations of the success of our strategy and the concerted steps we have taken towards creating a strong pan-GCC universal banking group. GIB remains committed to diversifying our business and bolstering our financial position through prudent policies and a highly focused approach to managing risk. Recognition of GIB's strategic and business achievements also took the form of prestigious industry awards during the year. These underline the Bank's enduring strength, stability and reputation in the face of a highly competitive and rapidly changing financial landscape.

Strategic Progress

2021 saw a strong performance from all of GIB's businesses and operations. Our strategy to reduce dependence on funded credit involved expansion and investment in alternate revenue sources. The success of asset management and advisory in 2021 was a testament to the successful investment in this area. At the same time, we fortified and continued to invest in the traditional areas of strength of the Bank: institutional and wholesale banking, to ensure value accretive and fee-generating offerings.

2021 saw the first year of our investment banking business, GIB Capital, incorporated into GIB Saudi Arabia, and this strategic move has resulted in significant successes. The Saudi asset management business surpassed SAR 10 billion in assets under management, achieved in part due to the outstanding performance of our asset management teams and our funds. An example of this was our MENA equity fund, which delivered a return of 49 per cent.

Our businesses pulled together to engineer a highly successful year. The leadership teams we have in place comprise an impressive roster of talent and ambition, and I am delighted with their 2021 performance.

These business growth achievements vindicated the strong strategic direction of the Bank and management decisions taken over the past two years. In November 2021, the Board and senior management of the Bank held a strategy review, where we measured progress, assessed future, and agreed the future medium-term direction of the Bank.

In 2021, we began to implement a new performance measurement framework based on Economic Value Added ("EVA") to allow us to deploy our resources in a more optimal fashion.

We also established a new independent unit to manage remedial assets as a profit centre with a well thought-out structure and set of incentives, which accounts for the remarkable increase in recoveries witnessed since then.

The Bank also appointed a Chief Transformation Officer, whose mandate is to develop, manage and execute the transformation project portfolio roadmap, ensuring the robustness, efficacy, and efficiency of the Bank's platform, enabling successful transformation across GIB, and ensuring that shared service infrastructure is delivering to agreed targets and service levels.

Sustainability

GIB embarked on its sustainability journey some years ago, and this journey is also a growth story. We firmly believe that companies that help solve the world's biggest problems will be those that will have the strongest financial performance going forward.

Sustainability has also been at the heart of Saudi Arabia's Vision 2030 since its inception and this year the Kingdom launched an ambitious programme, the Saudi Green Initiative, to transform the economy onto a sustainable basis, as well as aim to reach Net Zero by 2060 to safeguard the environment for future generations. These are part of their ambitions to accelerate the energy transition, achieve sustainability goals, and drive a new wave of investment.

These mega-trends present a tremendous opportunity

We believe that banks can play a central role in stimulating a more sustainable way of doing business. They are centrally placed, through credit and investment decisions, to influence and fund the transition to a sustainable economy. Banks should also reflect the needs of society, and today's society expects banks to be clear about how their products create value for their stakeholders.

GIB created a Sustainability Council in 2020 to oversee the embedding and integration of sustainability into the highest levels of governance in the Bank and I look forward to the creation of a Board Sustainability Committee in 2022. The committee will be able to take this critical work to the next level and will ensure thorough scrutiny and accountability for GIB's sustainability objectives.

GIB continued its sustainability journey in 2021 with many material achievements. These has been published in our first Sustainability Report.

Highlights of the year included the development of our digital micro, small and medium enterprise (MSME) financing platform, which provides faster and more accessible financing to MSMEs. GIB's Sustainability Framework was also approved, outlining GIB's vision of integrating sustainable finance across our business.

Innovation and Digitisation

Saudi Arabia is blessed with a young and growing population, and one by-product of this demographic is that the Kingdom is an enthusiastic early adopter of technological advances. For banks, this means that our customers demand constant improvement and upgrading of technology, and access to digital products and services.

Right across GIB's customer base and business lines, we have put digitisation at the heart of our strategy, and have consistently delivered improvements and enhancements in 2021 to digitise the customer journey, to ease access to services and products, and to put our clients in charge of their finances.

We were privileged to continue our involvement in the Sand Box organised by SAMA to develop an Open Banking infrastructure in the Kingdom that will allow capital flow seamlessly.

Looking Ahead

GIB is a bank well into the journey of transformation and in sight of real success. Whilst 'Turning Point', 'Springboard' and 'Launchpad' were the terms of 2021, I expect them to be 'Growth', 'Maturity' and 'Rewards' in 2022.

This view is informed by the environment in which we are operating. The world has come to understand the pandemic, and whilst we may have to live with Covid for the foreseeable future, we have learned to overcome its most disruptive and destructive risks.

In Saudi Arabia, the Vision 2030 strategy is now in full execution mode. This will mean development of capital markets, privatisation programmes, new levels of technological advancement, the launch of more giga-projects and the continued diversification of the economy. The stabilisation of oil prices, together with new sources of revenues means that governments will have the fiscal power to execute their national strategies across the region, and this bodes well for our core GCC markets, where we are actively expanding our business and investing in local talent.

Geopolitically, there is a new spirit of reconciliation and partnership across the region. This can only be positive for international trade, investment, and business – an opportunity that our global footprint can help us to seize.

All these factors present tremendous opportunities for GIB. We have the right teams in place, the right technology, a sustainable foundation, a supportive shareholder, and an unparalleled market position.

Acknowledgements

On behalf of the Board of Directors, I would like to express my sincere appreciation for the support of our shareholders and their belief in our strategy. This support is complemented by the enduring trust and loyalty of our clients, and the continued partnership and cooperation of our counterparties. We are also grateful for the ongoing advice and guidance that we receive from the regulatory and supervisory bodies in the various jurisdictions in which GIB operates. I also take this opportunity to pay tribute to the commitment and competence of our people and their positive attitude. The success of the Bank is very much enabled by their quality and professionalism.

Engr. Abdulla bin Mohammed Al Zamil

Chairman of the Board

Management review

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

"We enter 2022 as an agile, empowered, and focused universal bank, competing with the region's biggest players and winning mandates and client business through merit. Along with our Board of Directors and all of our people, I am excited and energised by the outlook for GIB."

I said in last year's Annual Report that the year had been without exception 'the most challenging year I have experienced in my banking career'. This was not an exaggeration: the repercussions of the pandemic were material and led to GIB reporting a significant loss. However, I am pleased to report that the decisive and prudent measures we took in 2020 have been vindicated: GIB today has a stronger balance sheet, a higher quality lending portfolio, with new products and services successfully launched, and a first-class management team in place.

Most importantly, the Bank is pursuing a strategy that will drive growth and deliver rewards for our customers, our people, our shareholders and all stakeholders.

The pandemic countermeasures taken by the region's governments mean that we now have a largely vaccinated population, rigorous measures in place to control future variants, and an economy that is set to grow.

Last year, thanks to our digital infrastructure, GIB went from very little flexible working to a fully remote workforce, without losing a single day of productivity. This served us well in 2021 when operating conditions remained uncertain. Our success in working under these conditions means that we enter 2022 in better financial health than ever.

In terms of our balance sheet, we have taken material steps to improve our funding base and to diversify our liabilities. On the assets, we now have improved client visibility and a robust recovery process in place in the form of our Special Assets Unit. In addition, we began to make meaningful progress in retail and SME banking, launched new products and entered new market segments in 2021.

We have established the right management teams to take the business forward. We have a coherent strategy for growth, and are extremely well positioned to succeed in the sectors and markets that we want to operate in.

In short, after a tremendously challenging two years, GIB has returned to growth mode, and the Board and the whole management team looks ahead to 2022 with immense confidence.

There were four areas of significant achievement in 2021 that I would like to highlight:

People

GIB's people strategy comprises of a comprehensive approach to training, mentoring, nurturing and development, and continued to receive investment and priority in 2021. This is a critical area for the future of the Bank, and we are proud of its success. Under the banner of the GIB Academy, the wide range of training we offer had to be delivered remotely for most of 2020, but we slowly saw a return to face-to-face learning in 2021 and are once again using our excellent training facilities in our Head Office.

This included the launch of several new initiatives for our people, all designed to offer the best learning and development in the region, and to reinforce GIB's desire to be the best place to work.

- Launched in 2021, an early-career programme designed to transition new joiners into the world of banking and financial services

  Our long-standing partnership with the London Business School has continued to thrive, with forty senior and high-achieving colleagues taking this course in 2021
- The Jammaz Al-Suhaimi graduate programme, named after the Bank's late Chairman, welcomed 20 graduates in 2021. This number will be increased in 2022
- The Wholesale Bank saw the introduction of Itqan in 2021, a programme designed to give colleagues the technical and theoretical banking skills needed to excel in the business

Finally, while the pandemic was undoubtedly challenging, it also delivered some positives: managers have learned how to lead remote teams; colleagues have been helped to work effectively from home; and client service has been elevated to new levels.

Regulation, Compliance and Cyber Security

The Covid pandemic saw regulators around the world tighten their rules to protect borrowers and depositors from heightened risk. 2021 followed the same pattern of regulatory scrutiny, as regulators also focused on the welfare of employees of regulated entities.

GIB has augmented and strengthened its compliance function, appointing new senior professionals, delivering advice, consultation and assurance across the business.

Through the highest standards of compliance and security, GIB is helping its clients to navigate the new financial world – cashless, digital and real time, all the while ensuring that our safeguards against fraud and cyber-crime are robust and world class. Indeed, in an inspection of GIB's data security operations in 2021, the Saudi Central Bank praised the Bank's levels of data security and protection.

GIB undertakes regular anti-fraud and cyber-crime tests, conducting wargame exercises in partnership with experts, law enforcement authorities and regulators, to ensure and safeguard our systems against an increasingly sophisticated cyber-crime threat.

Management review (continued)

Technology

2021 saw the introduction of Open Banking in Saudi Arabia, and GIB is proud to have been one of the pathfinders and architects of this exciting development. As an early adopter of Open Banking, GIB has partnered with regulators and fintech companies to introduce this exciting new technology, and all the benefits it will bring to the Kingdom. Our customers will also benefit from better financial products and services.

We look forward to enhancing and executing upon this service in 2022 and beyond.

Sustainability

Whilst GIB has been moving towards being a sustainable business for a number of years, 2021 was the year that climate change moved to the forefront of global public discourse. The COP26 conference in November resulted in meaningful global agreements to cut greenhouse gas emissions, while the trend of global capital to be deployed towards achieving a sustainable future accelerated.

In 2021, GIB took further steps in adapting its business and reporting to focus on sustainable outcomes, and it also marks the production of our first Group-wide Sustainability Report.

These are exciting times, and the Board of Directors and senior management are committed to a sustainable future for the Bank.

Looking Ahead

Bankers tend to be cautious and conservative in their outlook. Ultimately banking is the management of risk, and therefore a conservative approach provides the best route to long term success. However, I cannot help but be excited by the prospects for GIB and the financial sector in general as we enter 2022. After the demands of 2020 and the recovery of 2021, 2022 will see the maturing of the Bank's green shoots of growth, and its customers and the wider economy poised for expansion. I am cautiously optimistic.

We are managing our cost base prudently as we grow our business, our technology is sound, our people are among the best in the industry, and our path to a sustainable future is on the right track.

The Kingdom of Saudi Arabia is on the verge of an economic and societal transformation, as the Vision 2030 strategy becomes reality. The wider GCC is seeing levels of collaboration and economic opportunity that are unprecedented. And while geopolitical issues remain, I believe we are exceptionally well-positioned to profit from the regional growth opportunities that abound.

We enter 2022 as an agile, empowered, and focused universal bank, competing with the region's biggest players and winning mandates and client business through merit. Along with our Board of Directors and all of our people, I am excited and energised by the outlook for GIB.

In conclusion, on behalf of the Management team, I would like to express my sincere appreciation for the support and encouragement we continue to receive from my fellow Board Members, the enduring loyalty of our clients; the guidance of our regulators and the ongoing collaboration of our business partners. I also pay special tribute to our colleagues for their exemplary effort and contribution to the growth and success of GIB around the world.

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

Management review (continued)

STRATEGY REPORT

INCREASE AND DIVERSIFY REVENUES

2021 provided a favourable economic operating environment: the oil price rose to normalised levels and the region's economic activity made a marked return to stability. Corporate activity resumed following the Covid-driven hiatus of 2020. The region's equity markets reflected this bounce-back with a very strong performance: the Tadawul rose by just under 30 per cent in 2021.

GIB grew its balance sheet, improved its cost of funding, net interest income, fee and commission income, investment income. Both assets and liabilities increased, while reduction in the cost to income ratio was noted during the year.

The prudent review of our portfolio that resulted in a net loss being reported in 2020 meant that in 2021 the bank is able to report a net profit of SAR 111 million. This return to normalised trading conditions allowed all business areas of the bank to deliver a profitable performance in 2021.

Wholesale Banking
The Wholesale Banking business delivered a strong performance in 2021, as we successfully increased our customer base, grew our assets and liabilities volumes, and improved our cost of funding, while maintaining credit quality.

Special Assets Unit
The bank established an independent and distinct Special Assets Unit in mid-2021 to manage the non-performing assets of GIB with clear accountability and incentives.

GIB continued to work with its customers as they emerged from the pandemic, demonstrated by the much-improved risk profile of the bank's borrowing client base.

The Unit has been one of the major successes of 2021, driving down provisions, turning around non-performing loans to normal status and working with customers to achieve amicable recovery solutions.

Treasury
Our Treasury business enjoyed a steady performance in 2021 with increased cross sell income from a wide range of products and clients in Saudi Arabia, as well as higher income from investment activities.

GIB Capital
GIB Capital enjoyed a highly successful 2021, taking leading roles on several high-profile transactions in Saudi Arabia, launching new products. These taken together with other capital market achievements demonstrate clearly that GIB can compete with the regional and global investment banking heavyweights in the region, and can deliver a world-class performance for its clients.

GIB Capital won the mandate for the role of sole Financial Adviser, IPO Manager and Underwriter of the initial public offering of Alarabia Group, Saudi Arabia's leading media company. Demand for the offer was significant, with institutions applying for 127 times the offer amount. The success of the IPO means that GIB Capital is now firmly positioned as a major Equity Capital Market player in the Kingdom.

GIB Capital also advised on the merger of SABIC and SAFCO, a high profile and prestigious transaction that positions GIB Capital in the forefront of M&A advisory.

meem
meem expanded its offering with a range of new products and services. These innovations helped to drive a 33 per cent growth in customer numbers in 2021. meem is now well-positioned for further growth in 2022 and beyond as we continue to build scale.

Management review (continued)

STRATEGY REPORT

DELIVER AN EFFECTIVE FUNDING PROFILE

- 2021 saw GIB raise its liquidity levels through a successful diversification and growth of the depositor base, which in turn delivered a lower cost of funding. This strategic move, coupled with a successful term finance programme, was instrumental in delivering a solid financial performance and ensuring the group enters 2022 on a sound financial footing.
- The strength of GIB's balance sheet had enabled the bank to weather the storms of 2020. In 2021, the bank continued its strategy of continually bolstering its foundations, with contributions from across the group.
- The successful issuance of a SAR 2.34 billion sustainability linked loan saw GIB become the first majority Saudi-owned bank to close such a facility. The deal was well received in the international markets and substantially over-subscribed. Given the high interest, GIB upsized the facility amount.
- Also of note was the success in attracting corporate current account/savings account (CASA) deposits from non-borrowing clients. By focusing and tailoring our offering at a sector level, GIB's Global Transaction Banking business was able to make a significant contribution to lowering the group's cost of funds and to drive its fee income.

IMPROVE OPERATIONAL AND COST EFFICIENCIES

- The Bank continued to successfully optimise and drive efficiencies in its real estate portfolio consolidating our presence in our new building in Al Khobar and reduced our footprint in Al Kifah Tower, Dhahran by 50 per cent.
- Retail banking continued its journey towards an all-digital, cashless future with the reduction of branch numbers from nine to three and the removal of its ATM machines. As the GCC accelerates towards a digitised, cashless future, GIB is helping customers on this journey.
- The Bank established a Special Assets Unit in mid-2021 as an independent and distinct function to manage GIB's non-performing assets. This new business line has brought an expert and focused approach to working with clients to remediate and rehabilitate the stressed assets, de-risking them to achieve optimum recovery.

Management review (continued)

STRATEGY REPORT

ENHANCE SERVICE EXCELLENCE AND QUALITY

GIB firmly believes that the adoption of the latest technological advances into our business will deliver the combined benefits of lowering our cost base, improving efficiencies, and delivering an enhanced customer service proposition. In 2021 GIB made material advances in the adoption of new processes and technology to drive customer service. These include:

- Our Global Transaction Banking team continued to enhance the market proposition by launching several new products including a Commercial Cards proposition to enhance corporate payables solutions. To further strengthen GIB's position in offering an integrated receivables management product for corporate clients, GIB has launched PoS Terminals and Payment Gateway which allow corporate clients to extend the collection touch points for their clients. Other new services included the launch of SWIFT gpi.
- meem, the world's first Islamic digital bank, saw further innovative new products and services launched to underpin its position as one of the fastest-growing retail banking offerings in the region. We launched Home Finance, thereby supporting a central pillar of Vision 2030 strategy that seeks to increase home ownership levels in the Kingdom. We also launched personal finance with no salary transfer, in addition to a series of offerings based on the meem credit card.
- meem launched a new mobile banking application, which includes a dynamic dashboard allowing customers to track their spendings easily thus contributing to another pillar of Vision 2030 to increase financial awareness in the Kingdom. We also played our part in delivering the cashless society envisioned by Vision 2030 strategy by driving customer behaviour towards cashless banking.
- Wholesale Banking continued to enhance its offering by rolling out new products and enhancements to existing digital solutions.
- The Bank's Micro, Small and Medium Enterprises (MSME) unit successfully completed the first phase of lending with a technology-led offering. The Bank is working with its strategic partners to roll-out the second phase of this offering, capitalising on the rising demand from this key strategic sector and aligning with the Kingdom's Vision 2030.
- GIB Capital launched our ESG MENA Equity strategy.
- The performance of our MENA equity fund topped the market, delivering a return of 49 per cent vs a benchmark return of 28.8 per cent.

Management review (continued)

STRATEGY REPORT

BECOME AN EMPLOYER OF CHOICE

We believe that our employees are fundamental to the success of GIB. It is only through the efforts and commitment of our people that GIB is able to fulfil its purpose. We aim to be a responsible and enlightened employer with regards to employee development, compensation, benefits and employment policies. The health, safety and wellbeing of our people are primary considerations in the way the Bank is run.

Some things we learned in the pandemic – remote working, video conferencing, technology transfer – have been beneficial to the business and its people. Others – ongoing virus testing, mask wearing, enforced working from home have been more challenging. The key people developments in 2021 included:

- A free mental health and wellbeing service for all employees, delivered in partnership with Plumm Healthcare, a leading workplace wellbeing provider.
- Kunooz, a bespoke training programme for junior staff to help them to develop in the workplace, was launched in 2021 with more than 70 colleagues going through the course.
- Itqan, a learning programme developed for the wholesale banking team, was launched in 2021. It delivers skills and technical knowledge in areas such as credit, transaction banking, capital markets and corporate finance. The programme helps our people to become better bankers both in terms of their technical knowledge and capability, and also in terms of their relationship-building and sales skills.
- A Flexible Working Policy was instigated, which has been tremendously helpful for colleagues with children at school, family issues, and generally amid the uncertainty of Covid.
- One of the key measures in the Bank's SAR 2.34 billion SLL transaction is gender diversity and we are successfully increasing the percentage of female employees in GIB, at all levels.

Management review (continued)

REGIONAL TRANSACTIONS

WHOLESALE BANKING

ADES Arabia Holding
GIB acted as Mandated Lead Arranger, Underwriter, and Bookrunner on an 8-year Syndication of SAR 6 billion that is availed in US$ and SAR currencies. The transaction was structured to take out existing bridge exposure and provide additional liquidity by putting together an RCF facility and a standby facility for certain anticipated capex / acquisitions. In addition, GIB has won part of the operating accounts mandate to process the client International Payroll. The completed payment solution is supported through B2B, as sole operating bank in Saudi Arabia, processing local supplier payments, payroll and SADAD.

Saudi German Hospitals Group
GIB successfully signed a 10-year project finance facility SAR 400 million with the Humania / Saudi German Hospital Group to build a state of the art hospital and rehabilitation project in Jeddah, Saudi Arabia. GIB was the sole Underwriter and successfully closed the transaction in a two bank deal. GIB was awarded roles of Mandated Lead Arranger, Facility Agent, Security Agent and Account Bank.

Farabi Petrochemicals Company
Enhanced an equivalent of SAR 350 million Receivables Purchase programme utilised towards managing the company's growing working capital requirements. GIB structured a Shariah-compliant solution which aided in accelerating the company's cash conversion cycle.

Jana Marine Services Co. Ltd.
Operating bank in Saudi Arabia to provide comprehensive cash management proposition to manage their operation. Key offering includes international payroll processing capabilities with 99.9 per cent success rate in ensuring the employees receive their salary on time with exact amount, coupled with real-time tracking mechanism through eBanking channel for real-time access and control.

REGIONAL TRANSACTIONS

INVESTMENT BANKING: EQUITY CAPITAL MARKETS

Arabian Contracting Services Company (Alarabia) IPO
Financial Advisor, Lead Manager, Bookrunner and Lead Underwriter for the successful SAR 1,500 million IPO of Alarabia, offering 15 million shares representing 30 per cent of its share capital. Alarabia is the largest out of home company in the region and ranked 11th worldwide in terms of revenue in 2020. Alarabia was listed on the main market of the Saudi Exchange on 15 of November, 2021. The institutional tranche was more than 127.0 times oversubscribed and received SAR 190 billion in bids; while the retail tranche was more than 15.0 times oversubscribed.

Nayifat Finance Company (Nayifat) IPO
Joint Bookrunner and Co-Underwriter for the successful SAR 1,189 million IPO of Nayifat, offering 35 million shares representing 35 per cent of its share capital. Nayifat is one of the leading nonbank financial institutions within the consumer financing space in Saudi Arabia. Nayifat listed on the main market of the Saudi Exchange on 22 of November 2021. The institutional tranche was more than 136 times oversubscribed and received SAR 160 billion in bids; while the retail tranche was more than 21 times oversubscribed.

Al-Dawaa Medical Services Company (Al-Dawaa) IPO
Financial Advisor, Lead Manager, Bookrunner and Lead Underwriter for the successful SAR 1,860 million IPO of Al-Dawaa, offering 25.5 million shares representing 30 per cent of its share capital. Al-Dawaa is one of the largest retail pharmacies chains in the Kingdom and the first of its kind to be listed on the Saudi Exchange. CMA approved Al-Dawaa IPO file in December 2021. The institutional tranche was more than 54.0 times oversubscribed and received SAR 100 billion in bids; while the retail tranche was more than 25.2 times oversubscribed.

Management review (continued)

REGIONAL TRANSACTIONS

INVESTMENT BANKING: MERGERS & ACQUISITIONS

Alinma Makkah Real Estate Fund

National Petrochemical Company (Petrochem)
Financial Advisor to Petrochem in relation to SIIG's offer to acquire Petrochem's issued shares that are not owned by SIIG through a share swap mechanism that will increase market capitalisation to more than SAR 25 billion. SIIG and Petrochem began assessment of the economic feasibility of a business combination in September 2020, announced start of due diligence and negotiation in April 2021, agreed a non-binding MoU setting out transaction structure and exchange ratio on 28 September 2021 and signed the Implementation Agreement on 27 October 2021.

Alinma Makkah Real Estate Fund
Financial Advisor to Alinma Makkah Real Estate Fund (Fund), managed by Alinma Investment Company, in relation to potential sale of assets to Jabal Omar Development Company (Offeror) in exchange for shares in the Offeror.

REGIONAL TRANSACTIONS

INVESTMENT BANKING: DEBT CAPITAL MARKETS

Rawabi Holding Company
Joint Lead Manager for a SAR 700 million dual tranche 2-year and 2.5-year Sukuk. Positive sentiment received from investors was a driver to issue a dual-tranche from the original target of a 2-year tenor.

Dubai Aerospace Enterprise (DAE)
Co-Manager for a SAR 3.7 billion 3-year bond by the company, the second transaction with DAE after the successful closing of their debut Sukuk in 2020.

Saudi Aramco
Joint Lead Manager and Joint Bookrunner on Saudi Aramco's debut SAR 22.5 billion triple tranche 3-year, 5-year and 10-year Sukuk.

Sultanate of Oman
Joint Lead Manager and Joint Bookrunner on Sultanate of Oman's SAR 12 billion triple tranche 4-year (tap), 10-year, and 30-year bonds and a Global Coordinator, Joint Lead Manager and Joint Bookrunner on SAR 6.5 billion 9-year Sukuk.

Kingdom of Bahrain
Joint Lead Manager and Joint Bookrunner for a SAR 7.5 billion triple tranche 7-year, 12-year, and 30-year bonds. This was GIB's sixth consecutive mandate by the Kingdom.

Nogaholding – The Oil & Gas Holding Company
Dealer, Joint Lead Manager and Joint Bookrunner for a debut SAR 2,250 million 8-year Sukuk issuance.

Management review (continued)

REGIONAL TRANSACTIONS

INVESTMENT BANKING: DEBT ADVISORY

Tadawul Real Estate Company (TREC)
Sole financial advisor on structuring and arranging a 15-year, limited recourse, Islamic Finance Facility for Tadawul Real Estate Company. In addition to long term financing, bridge facility was also arranged to cover for the immediate financing requirements of the company.

AWARDS

GLOBAL ISLAMIC FINANCE AWARDS

- Best Islamic Digital Bank 2021 – meem by GIB

GLOBAL FINANCE 2021 INNOVATORS AWARDS

- Outstanding Financial Innovator (Banks) in Middle East, 2021
- Outstanding Innovator Cash Management, 2021

EMEA FINANCE MIDDLE EAST BANKING AWARDS

- Best Islamic Receivable Finance Award 2021
- Best Debt House, Saudi Arabia

DIGITAL BANKER MIDDLE EAST & AFRICA INNOVATION AWARDS 2021

- Best API Initiative
- Best ERP Integration Solution
- Best Card Solution
- Best Digital Treasury Solutions Platform

Corporate social responsibility review

Corporate social responsibility review

CSR REVIEW

GIB has donated to charitable and other deserving causes since its inception. It is important to recognise and to support the communities in which we operate, and the bank has a proud heritage in giving and community involvement that continues now and in the future.

GIB generally adopts initiatives and partnerships that directly make change and improvement and that have sustainable and long-term positive results in the communities in which we operate. We focus our CSR activities on areas of need in the community: education, social development, special needs, women's empowerment, and vocational training. These areas are also central to Saudi Vision 2030, the nation's strategic transformation programme.

The details of GIB's 2021 CSR charitable donations are below:

The Autism Center of Excellence	A 5-year contribution programme of financial support led by the Saudi Central Bank to establish the Autistic Center in Riyadh.
Bunyan Charitable Society	A partnership with Bunyan Charitable Society to support community residential and developmental programmes in the Eastern Province.
Children with Disability Association – Saudi Arabia	A partnership with the Children with Disability Association to improve programmes and initiatives for disabled children.
Jammaz Al-Suhaimi Scholarship Programme	To award deserving Saudi students scholarship to further their higher education.
Hisn AlJiwar	A registered charity organisation set up to assist women with children in need of support.

Sustainability review

Sustainability review

In 2022, GIB launched its first ever Sustainability Report. In it, the Bank identifies its significant impacts on the economy, the environment and society, and discloses them in accordance with the Global Reporting Initiative (GRI), a globally accepted standard.

At GIB, we believe that finance can be a force for good. We believe that the companies that help solve our biggest problems will be those that perform best. Financial services occupy a unique place in business and commerce: they act as the enabler of growth and development, and influence and support the wider economy.

In the Report, we disclose the impact of our activities through the lenses of the environment, society and governance. Starting with our strategic approach to sustainability, we disclose our direct activities and impacts on our stakeholders.

We also set out the values and principles that guide our behaviours, detail the guidelines that govern our supply chain relationships, and set out the activities we undertake to advance our people in their careers and their lives. Finally, each line of business sets out its sustainability activities and objectives.

We believe that through partnering with our stakeholders we can have the maximum impact. These range from our shareholders, regulators and customers to our employees, suppliers and the communities in which we operate.

Given the complexities of the challenges of the modern world and the pressing need for a more sustainable economic model, we are delighted to document our journey to becoming a more sustainable organisation.

The GRI standards create a common language and framework for organisations and stakeholders, where economic, environmental, and social impacts can be communicated and understood. The standards are designed to enhance the global comparability and quality of information on these impacts, thereby enabling greater transparency and accountability.

SUSTAINABILITY-LINKED SYNDICATED LOAN (SLL)

In October 2021, GIB issued a Sustainability-Linked Syndicated Loan (SLL). SLLs are loans that incorporate Environmental, Social and Governance (ESG). The metrics selected by GIB were related to reductions in carbon emissions, an increase in gender diversity and additional sustainability reporting. The issue was well received, and a global pool of investors subscribed, with commitments exceeding the initial facility amount of US$ 500 million by more than two times, reaching US$ 1.1 billion. Given the high interest, GIB decided to upsize the facility amount to US$ 625 million. GIB is the first majority Saudi-owned bank to close such a facility.

SUSTAINABILITY IN RISK MANAGEMENT

In 2021, GIB's Risk Management function instigated the use of sustainability risk assessment for all its clients, rolled out on a phased basis over 2022. Over time, and complimented by information from credit rating agencies, this will mean that any new borrowing request will be include an assessment of environmental, social and governance risks. GIB looks forward to bringing ESG and sustainability considerations further into the mainstream of our business in 2022.

Financial review

GIB's financial performance in 2021 marks a strong turnaround in a challenging business environment. The pandemic's impact on the economy and the banking industry is still evident in global interest rate cuts, reduced business activity, especially in trade finance and related areas, and increased stock market volatility.

These factors were eased by multiple government initiatives including grants, vaccination campaigns and other regulatory concessionary measures.

Despite the above-mentioned factors, GIB's financial performance in 2021 demonstrated robust progress on a number of strategic initiatives.

Total operating income for the year increased to SAR 804.2 million from SAR 627.6 in 2020, as a result of increased and diversified revenues, one of the Bank's key strategic initiatives. Total operating expenses of SAR 668.5 million compared to SAR 1,054.1 million the previous year, resulting in net income before provisions and Zakat of SAR 191.9 million, up from SAR 100.3 million in 2020.

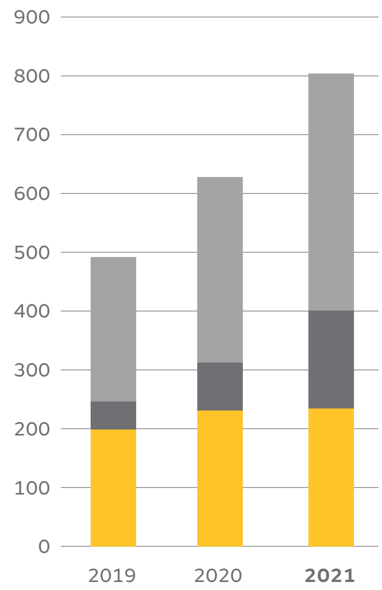
A net provision charge of SAR 56.3 million was recorded in 2021, versus a SAR 526.8 million charges in the previous year. The successful introduction of a Special Assets Unit to proactively manage recoveries and reduce NPLs, and the increase in the loan portfolio aided in increasing in the Bank's total provision coverage ratio to 120 per cent in 2021 from 101 per cent in 2020 and improving the NPL ratio from 4.1 per cent in 2020 to 2.4 per cent in 2021.

As a result of the above, GIB reported a net profit of SAR 111 million for the year compared with net loss of SAR 438 million in 2020.

The Bank continued to maintain a strong balance sheet, with consolidated total assets at the end of the year standing at SAR 37.8 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 7.4 billion, representing 20 per cent of total assets. Loans and advances at the end of 2021 of SAR 23.6 billion compared to SAR 18.8 billion the previous year, an increase of 25 per cent, while customer deposits stood at SAR 27.2 billion in 2021 with a strong Loans to Deposits (LTD) Ratio.

Financial review (continued)

Gross income development
(SAR millions)



	2019	2020	2021
Net interest income	399.6	461.1	**469.6**
Non-interest income	93.7	166.5	**334.6**
Gross income	493.3	627.6	**804.2**

Key ratios for group financials

	2021	2020
CAR	**22.1%**	26.5%
NSFR	**134%**	150.9%
LCR	**177.9%**	206.2%
Loans to Deposits	**87%**	84%
NPL ratio	**2.4%**	4.1%
Total Provision Coverage Ratio	**120%**	101%

NET INTEREST INCOME

Net interest income for 2021 increased to SAR 469.6 million from SAR 461.1 million in the previous year, up by 2 per cent, with the Bank benefitting from a lower interest expense on its funding resulting in a slightly higher net interest income 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

Interest income on loans and advances of SAR 513 million was down by 7.2 per cent from prior year, interest income on investment securities of SAR 90 million was up by 33.5 per cent from prior year, and interest income on placements with banks and other financial institutions of SAR 29 million down by 56.5 per cent from prior year.

The reductions above were more than compensated by lower interest expense on customer deposits by SAR 148 million, down by 28.8 per cent.

As a result, the Bank's net interest income increased by SAR 8.4 million.

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 180.3 million was 91 per cent up on the prior year level, reflecting the success of the bank's strategic initiative of revenue diversification and first year consolidation of GIB Capital Company. 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 66 million were the largest source of fee-based income, comprising 37 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 84 million represented 47 per cent of fee and commission income.

The Group's various trading activities recorded a SAR 106.1 million income for 2021 compared to an income of SAR 23.8 million the previous year. 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 25.4 million for the year representing 3.2 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 2021, 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.

Financial review (continued)

Dividend income was at SAR 11.5 million for the year 2021 against SAR 10.8 million for the prior period and represented dividends from the Bank's strategic equity portfolio.

Other income rose to SAR 11.4 million in 2021 from SAR 11.3 million in the previous year. An analysis of other income is set out in note 26 to the consolidated financial statements. The recently established Special Assets Unit generated above revenues since its establishment.

OPERATING EXPENSES

Total operating expenses at SAR 612.2 million were SAR 84.9 million higher than in 2020 due to first year consolidation of GIB Capital Company.

Staff expenses at SAR 346.6 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 amortization expenses decreased by SAR 14 million to SAR 65.9 million during 2021, due largely to the designed closure of the retail branches and ATMs in Saudi Arabia.

Other operating expenses including rent and premises related expenses and general administrative expenses at SAR 200 million, were SAR 16.6 million higher than 2020, with increases relating to strategic investment initiatives.

PROVISIONS

The Group recorded a net provision charge of SAR 56.3 million compared with SAR 526.8 million in the prior year. A net loan provision charge for loans and advances of SAR 55.9 million, compared to SAR 529.5 million in 2020. The loan provision charge comprised a SAR 40.4 million specific (stage 3) provision charge, and a SAR 15.5 million non-specific (stages 1 and 2) provision charge. A SAR 0.3 million provision charge was booked for stage 1 investment securities.

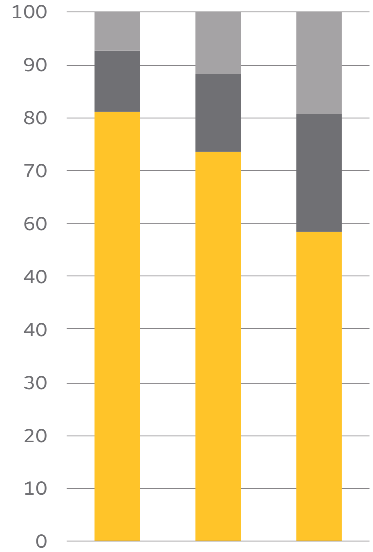
CAPITAL STRENGTH

Total equity amounted to SAR 7,117.5 million as at 31 December 2021, which was attributable to the shareholders of the Bank.

With a total regulatory capital base of SAR 7,327.8 million and total risk-weighted exposures of SAR 33,132.5 million, the risk asset ratio calculated in accordance with the Saudi Central Bank (SAMA) Basel 3 guidelines was 22.1 per cent, while the tier 1 ratio was 21.4 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 96.6 per cent of the total regulatory capital base. In accordance with international regulatory guidelines, unrealised gains and losses on equity investments classified as FVTOCI are included in the regulatory capital base.

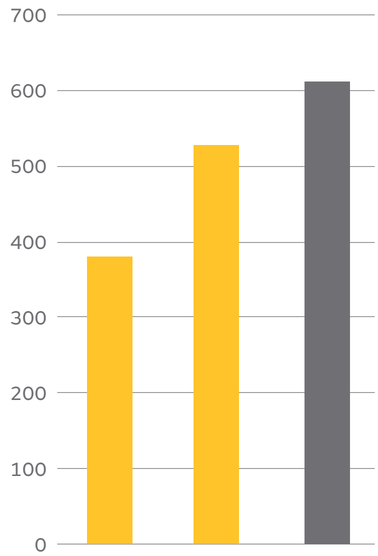
The risk asset ratio incorporates both market and operational risk-weighted exposures. With approval from the Saudi Central Bank (SAMA), the Group applies the standardised approach for market risk, and the standardised approach for determining the capital requirement for operational risk. This demonstrates that the Group's regulator is satisfied that the Group's risk management framework fully meets the guidelines and requirements prescribed by both the Saudi Central Bank (SAMA) and the Basel Committee for Banking Supervision.

Gross income composition
(%)



	2019	2020	**2021**
Net interest income	399.6	461.1	**469.6**
Fee & commission income	57.4	94.2	**180.3**
Foreign exchange, trading & other income	36.3	72.3	**154.3**
	493.3	627.6	**804.2**

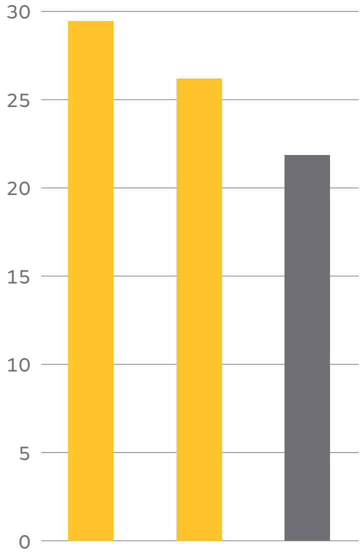
Expenses development
(SAR millions)



	2019	2020	**2021**
Operating expenses	380.6	527.3	**612.2**

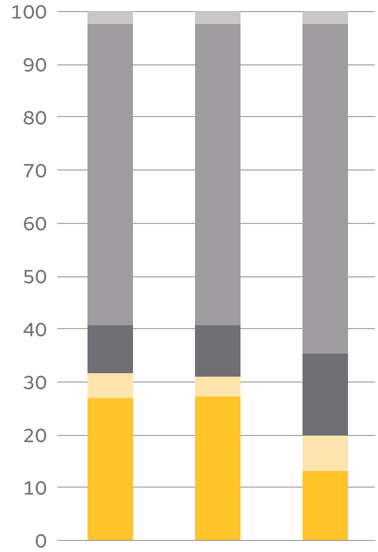
Financial review (continued)

Capital Adequacy Ratio
(%)



	2019	2020	**2021**
Capital Adequacy ratio	29.8	26.5	**22.1**

Asset mix by category
(%)



	2019	2020	**2021**
Cash and balances with Saudi Central Bank (SAMA)	8,243.8	8,924.1	**5,004.5**
Due from banks and other financial institutions	1,448.1	1,267.3	**2,440.9**
Securities	2,773.7	3,161.1	**5,866.5**
Loans and advances	17,490.4	18,786.1	**23,574.9**
Other	670.8	768.2	**902.8**
	30,626.8	32,906.8	**37,789.6**

CAPITAL STRENGTH (continued)

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 38 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.

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 7 and 9.

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 2021 were not significantly different to their carrying amounts.

At the end of 2021, Cash and balances with Saudi Central Bank (SAMA) and Due from banks and other financial institutions accounted for 20 per cent of total assets; investment securities accounted for a further 16 per cent, while loans and advances represented 62 per cent.

Investment Securities

Investment securities totalled SAR 5,866.5 million as at 31 December 2021. The investment securities portfolio primarily represents the Group's liquidity reserve and accordingly, principally comprises investment-grade rated debt securities issued by major regional 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 2021 amounted to SAR 299.6 million. The equity investments largely comprised listed equities amounting to SAR 293.5 million.

An analysis of the investment securities portfolio by rating category is set out in note 7 to the consolidated financial statements. All debt securities at 2021 year end were investment grade rated securities.

There were no past due or impaired investment securities as at 31 December 2021. All debt securities were categorised as stage 1 for provisioning purposes.

Financial review (continued)

Loans and Advances

The Bank reported a significant increase in net loans and advances of SAR 23,575 million at the end of 2021, up from SAR 18,786 million at the end of the prior year. Gross loans and advances were SAR 4,746 million higher than at 2020 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 92.6 per cent of net loans being stage 1.

Based on contractual maturities at the balance sheet date, 93.6 per cent of the loan portfolio was due to mature within one year, while 5.9 per cent was due to mature within 1 to 5 years. Only 0.5 per cent of loans were due to mature beyond five years. Details of the classification of loans and advances by industry are set out in note 9 to the consolidated financial statements while the geographical distribution of loans and advances is contained in note 33.

As at 31 December 2021, the largest industry sectorial exposure was to the Manufacturing, wholesale retail trade and petrochemical sector, comprising 42 per cent of gross loans, compared to 33 per cent at the end of 2020. This was followed by the financial sector, comprising 17 per cent.

The credit risk profile of loans and advances, based on internal credit ratings, is set out in note 33.2 to the consolidated financial statements. SAR 18,704.8 million or 79.3 per cent of total loans were rated 4- or above, i.e. the equivalent of investment grade rated. Only SAR 1,204.6 million or 5.1 per cent of loans and advances, net of provisions for impairment, 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 578.1 million, or only 2.5 per cent of loans and advances, net of provisions for impairment. 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 2021 amounted to SAR 695 million. Counterparty specific provisions (stage 3) amounted to SAR 447.5 while non-specific provisions (stages 1 and 2) were SAR 247.5 million. During 2021, SAR 164.4 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.

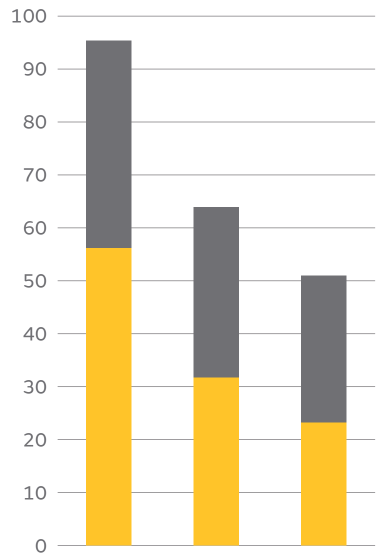
For the purpose of the calculation of the non-specific (stages 1 and 2) provisions, the Group only takes account of collateral held in the form of cash or exchange-traded equities. While collateral in the form of securities, unlisted equities and physical assets is used for risk mitigation and protection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

The gross values of past due loans as at 31 December 2021 amounted to SAR 173.7.

Loan maturity profile

	SAR millions	%
Year 1	22,076.7	93.6
Years 2 to 5	1,380.2	5.9
Over 5 years	118.0	0.5
	23,574.9	100.0

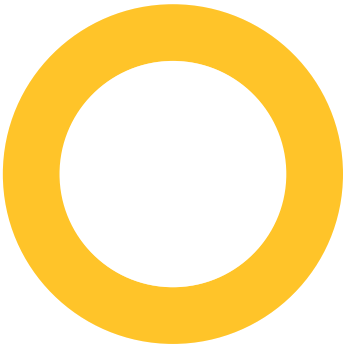
PDO loan development
(SAR millions)



	2019	2020	**2021**
Gross PDO loans (SAR millions)	1401.2	793.6	**578.1**
Gross PDO loans as % of gross loans	7.7	4.1	**2.4**
Provisions	972.9	803.5	**695**

Financial review (continued)

Investment debt securities rating profile



	SAR millions	%
Investment grade	5,362.7	100.0%
	5,362.7	**100.0%**

Other Asset Categories

Cash and other liquid assets amounting to SAR 7,445.4 million at the end of 2021, are analysed in note 5 and 6 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 2,440.9 million at the end of 2021, and were well diversified by geography, as illustrated in note 33.1 to the consolidated financial statements. Placements were largely with Saudi Arabian, GCC, Europe and North American bank counterparties and represented 6.5 per cent of total assets at the end of 2021. 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 7 to the consolidated financial statements. Trading securities at SAR 205.2 million as at 31 December 2021 largely comprised investments in funds managed by GIB's subsidiary.

Risk Asset and Commitment Exposure

Risk asset and commitment exposure as at 31 December 2021 amounted to SAR 53,329.77 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 50,491.13 million or 94.68 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 and Middle East, European banks, and investment securities issued by highly rated. An analysis of derivative and foreign exchange products is set out in note 8 to the consolidated financial statements.

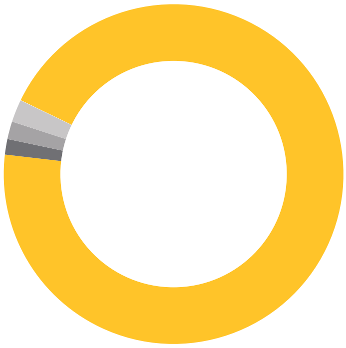
FUNDING

Bank and customer deposits at 31 December 2021 totalled SAR 29,563.4 million. Customer deposits amounted to SAR 27,236.5 million, representing 92 per cent of total deposits; while bank deposits totalled SAR 2,326.9 million, accounting for 8 per cent.

Customer deposits are analysed by geography in note 33.1 to the consolidated financial statements. SAR 26,140.3 million or 96 per cent of total deposits were derived from counterparties in Kingdom of Saudi Arabia. Deposits derived from other countries amounted to SAR 1,096.1 or 4 per cent of customer deposits.

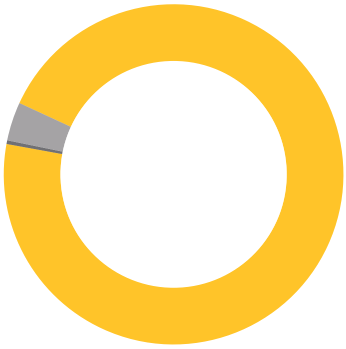
Further commentary on liquidity and funding is provided in the Risk Management and Capital Adequacy report.

Risk asset and commitment exposure



	SAR millions	%
Kingdom of Saudi Arabia	50,491.13	94.68
GCC and Middle East	785.29	1.47
Europe	899.54	1.69
North America	1,143.70	2.14
South East Asia	10.11	0.02
	53,329.77	**100.0**

Deposits - geographical profile



	SAR millions	%
Kingdom of Saudi Arabia	26,140.3	96.0
GCC	94.5	0.3
Other countries	1,001.7	3.7
	27,236.5	**100.0**

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 in April 2019 as a subsidiary of Gulf International Bank B.S.C. ("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 Dhahran.

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 convert its branches into a local commercial bank in the Kingdom. GIB KSA is headquartered in the Eastern Province and operates branches in Riyadh, Jeddah and Dhahran. 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 subsidiary fully owned by GIB KSA and is 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 200,000,000. 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% of the shareholding. Bayan Credit Bureau is headquartered in Riyadh with a capital of SAR 100,000,000. The company is a credit information provider.

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.

Board of Directors Report (continued)

5. Strategy

GIB KSA's goal is to be a trusted partner recognised for innovation, regional expertise and international reach. Leveraging GIB's international network and offerings enables GIB KSA to capture the associated trade and financial flows between the Gulf Cooperation Council ("GCC") countries and the rest of the world. GIB KSA's value proposition places it in a unique position to capitalise on strong core business activities in the GCC region, including commercial banking, project and structured finance, investment banking, Shariah-compliant banking and asset management. GIB KSA aims to leverage, among other banking activities, its digital expertise in the retail banking sector, gained through the establishment of the world's first Shariah-compliant digital bank - meem Saudi Arabia.

The strategic priorities across the business pillars that is GIB KSA's current focus are centred around the following aspects:

i. increase and diversify revenues;
ii. reduce reliance on net interest income;
iii. enhance client acquisition experience and service;
iv. maintain effective funding profile; and
v. optimise capital deployment and return on assets.

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

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

GIB KSA will leverage its international presence and further strengthen its credible niche position while scaling up in size, foremost in Saudi Arabia where the capital injection and market opportunity presents significant opportunities. There is greater emphasis and focus on digitalisation, automation and Environmental, Social, and Corporate Governance (ESG) initiatives.

In particular, GIB Group has developed a sustainability framework that takes into account international and regional ESG frameworks. This framework is structured around nine main topics which, among others, includes principles, products, services and capabilities, governance, culture, transparency, disclosure and implementation.

During 2021, in light of the pandemic and continuing challenges posed by Covid-19, GIB KSA undertook the following in order to best respond to the current and near-term market conditions:

i. portfolio re-assessment to review risk appetite, client segmentation, strategic initiatives and project priorities;
ii. undertook a Strategy Refresh exercise that is currently being finalised;
iii. strengthened our management teams and processes to deliver on an effective transformation journey;
iv. reinforced our digitalisation efforts and focus on customer facing businesses, especially Retail and Global Transaction Business (GTB);
v. introduced several ESG related initiatives and products including the launch of our first sustainable structured loan and an ESG Focused Fund;
vi. focused on the mental and physical well-being of our staff;
vii. successfully tested business continuity plans; and
vii. extended support to our communities.

Business strategies will continue to undergo regular assessment to ensure a proactive prioritisation based on key criteria (including cost optimisation/revenue generation, digitisation, and market readiness).

Board of Directors Report (continued)

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.

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 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 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, 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, fraud, business interruption, compliance 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 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 and independent testing of controls for further improvement of the control environment within the Bank.

A strong internal audit function makes regular, independent appraisals of the control environment in all identified risk areas.

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.

Board of Directors Report (continued)

6. Risk Management (continued)

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.

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).

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.

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 minimised 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, etc.

The Information Security Department consists of the Governance, Risk and Compliance function which manages the overall governance, risk and compliance from a security stand-point, Security Operations Centre 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, Security Services Group for centralised user access management and the Program Management Team that supports implementation of security solutions and ensures participation of Information Security in all business initiatives and projects.

Fraud Risk

GIB KSA is committed to prevent, detect, investigate, and mitigate fraud related activities. Furthermore, the Bank recognises that in addition to financial losses, cases of fraud may also hamper the Bank's image and reputation. Therefore, to combat fraud GIB KSA has adopted guidelines laid down in "Manual for combatting fraud in banks operating in Saudi Arabia" and that includes:

i. developing, implementing, and sustaining with a robust Anti-Fraud Strategy;
ii. establishing resilient fraud risk governance practices across the Bank's products, service, and its associated processes;
iii. designing, developing, and deploying fraud monitoring system to detect fraud events;
iv. investigating incidents (actual fraud and attempted fraud) and recommending conclusion by corrective measures such as disciplinary actions, reporting to SAMA, police and other relevant law enforcement authorities;
v. promoting fraud awareness amongst employees, customers and third parties to report actual and suspected frauds upon discovery;
vi. training employees to prevent and detect frauds in workplace and potential frauds from external sources; and
vii. cooperating and assisting SAMA, the police, other relevant law enforcement authorities for prosecuting individuals involved in fraudulent activities.

Combatting fraud is a collective responsibility of all GIB KSA employees.

7. Financial Highlights

(SAR '000)	**2021**
Total Operating Income	804,163
Total Operating Expenses Before Impairment Charge	612,233
Total Operating Expenses After Impairment Charge	668,493
Net Income After Zakat	110,964
Tier 1 Ratio	21.37%
Total Ratio	22.12%

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 BBB+ 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 Baa1 with a stable outlook. Moody's have cited GIB KSA's strong loss absorption capacity resulting from its strong capital adequacy ratios as its key strength.

Board of Directors Report (continued)

8. Financial Reporting Standards

The consolidated financial statements of GIB KSA have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Chartered and Professional Accountants (SOCPA) and in compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of GIB KSA.

9. Loans and Advances

(SAR '000)	31 December 2021
Gross loans and advances	24,131,707
Allowance for impairment	556,787
Loans and advances, net	23,574,920

10. Internal Audit Function

The Internal Audit reports functionally to the Audit Committee and administratively to the 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 annually as a separate project since the incorporation of GIB KSA in April 2019. The latest report was issued in October 2021. 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 28 March 2021, EY and KPMG were appointed as external auditors for the year ending 31 December 2021.

12. Payment of Zakat and Income Tax

The provision of zakat liability is estimated based on the results of operations of GIB KSA. GIB KSA has accrued zakat liability of SAR 24.7 million for the year ended 31 December 2021.

GIB KSA has filed its zakat declaration with the Zakat, Tax, and Customs Authority (ZATCA) for the period from 3 April 2019 to 31 December 2019 and for the year ended 31 December 2020. Assessments have been raised by ZATCA.

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 2021, the total end of service provision is SAR 55.87MM.

14. Micro, Small and Medium Enterprises (MSMEs)

The MSME unit was established in 2020 as part of the Wholesale Banking Division 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 Division 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.

As of December 2021, MSME department financed 74 clients through Beehive platform with total facilities SAR 108.7M (total invested amount from GIB 17.2% and SDB 82.2%) to the MSMEs in different sectors.

Furthermore in 2021, MSME department provided total facilities of SAR 69.4 million that were secured by Kafalah program (80% of the net exposure) to finance MSMEs.

The MSME department has also managed to fund over SAR 30 million through the leads received from the Monshaat gateway, achieving 205% of the 2021 target agreed with Monshaat.

Board of Directors Report (continued)

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's 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.

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.

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 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 FCC environment to manage the emerging threat of financial crime. As part of the 2022 Compliance Program, the Bank will explore to enhance its customer transactions monitoring tools and compliance testing and monitoring program. 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 has 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, SDNs 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.

16. Fines and Penalties

The below table shows the financial fines by SAMA for the 2021 fiscal year:

Violation Subject	Number of Penalties	Amount (SAR)	Quarter
Violation of SAMA's Cyber Security Framework	1	200,000	Q1
Violation of section 17 of SAMA's "Banking Control Law" referring to the submission of information to the Regulator	1	15,000	Q1
Violation related to SAMA's instructions on SAMANet	1	25,000	Q1
Violation of SAMA's "Account Opening and Operating Rules"	1	160,000	Q1
Violation of SARIE's Charging Policy	1	3,000	Q3
Violation based on SAMA's inspection in line with their "Anti-Money Laundering Manual"	1	215,000	Q4
Total		618,000	

Board of Directors Report (continued)

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 2021, and pursuant to Article 104 of the Saudi Companies Law (2015), 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 'whistle blowing'.

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 are addressed to GIB KSA's Human Resources Department. 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, Numeration & Remuneration Committee of the Board.

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

Corporate Social Responsibility

GIB KSA is deeply committed to supporting CSR initiatives which bring to life the goals and objectives of Saudi Arabia's Vision 2030

GIB KSA supported CSR programmes and activities in the following areas:

i. enhancing environmental and natural capital;
ii. promoting career development and education for youth and women;
iii. providing preventive healthcare;
iv. providing skills building and vocational training for underprivileged people; and
v. preserving and promoting sports and culture.

Board of Directors Report (continued)

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

Key examples of such CSR initiatives are the following:

i. In partnership with the SAMA, GIB KSA continues its five-year financial support programme for Autism Center of Excellence in Riyadh. The Center is a major CSR initiative for Saudi Arabia which GIB KSA and other Saudi banks are supporting. This was the fourth year of the programme and GIB KSA donated USD $165,294.

ii. GIB KSA signed a partnership agreement with the Bunyan Charitable Society to enhance their cooperation and joint efforts to improve the quality of residential and developmental programmes in the Eastern Province, contributing towards Vision 2030. GIB KSA donated USD $112,000.

iii. GIB KSA signed a partnership agreement with the Children with Disability Association to improve programmes and initiatives for disabled children and donated USD $37,000.

iv. GIB KSA signed an MOU with Prince Sultan University, Riyadh to provide financial support for individuals from less privileged backgrounds to acquire education and qualifications through the Jammaz Al-Suhaimi scholarship programme. The sponsorship for two students was USD $38,000.

Sustainability

In addition to CSR, GIB KSA is committed to sustainability. In 2021, a group-wide sustainability framework was approved that strengthens GIB KSA's approach to sustainability.

GIB KSA undertook a number of sustainability initiatives including:

i. measuring the scope 1 and 2 carbon emissions of the GIB KSA offices and setting targets to reduce emissions;

ii. launching a sustainability drive that focuses on measuring water use, waste and recycling rates with the aim of enhancing GIB KSA's environmental impact;

iii. setting targets to increase female representation;

iv. launching a supplier and third party sustainability code of conduct that measures suppliers' sustainability practices. The code of conduct aims to help GIB KSA work with suppliers and third parties whose standards and behaviours are aligned with GIB KSA;

v. including sustainability Key Performance Indicators (KPIs) as part of the departmental KPIs of all business lines within GIB KSA;

vi. providing bank-wide sustainability training covering all levels, including the Board of Directors; and

vii. embedding sustainability in GIB KSA's wider corporate communications

(such as sustainability newsletters and awareness posters).

Learning and Talent Management

In addition, key learning and talent management initiatives undertaken in 2021 included:

i. Itqan – Wholesale Banking Training Curriculum. Topics included credit, corporate finance, remedial management, and strategic marketing;

ii. Kunooz – Junior Staff Development Programme. Topics included team working, communication skills, and workplace professionalism;

iii. Executive Insights – Senior Management Thought Leadership Webinar Series. Topics included ESG, wider economic outlook/pandemic recovery, and strategic alignment;

iv. Inclusive Leader Programme. Topics included diversity and inclusion trends, employee experience, consciously inclusive leadership;

v. ESG awareness webinars;

vi. Jammaz Al Suhaimi Future Executive Graduate Programme - partnership with Global Knowledge and Protraining for 2021 IT recruits;

vii. Future Leaders Programme/Senior Leaders Programme – partnership with London Business School for Talent Pool Identified Successors; and

viii. Ro'ya Programme – Senior Management Succession Planning assessment and development.

20. Related Party Transactions

GIB KSA has a Board-approved related party and conflict of interest 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 Article 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 2021 are set out in the below table:

Board member/members	Company	Nature of contract and relationship	Year	Sum
Mr. Abdulaziz bin Abdulrahman Al-Helaissi Engr. Muhannad bin Kusai Al Azzawi	Saudi Gulf Company	Organising two events for the Bank - indirect interest	2021	Total SR 2,156,250
Engr. Abdulla bin Mohammed Al Zamil	Saudi Global Ports Company	Providing facilities - indirect interest	2021	Total SR271,014,405
Dr. Abdullah bin Hassan Alabdulgader Mr. Bander bin Abdulrahman bin Mogren	Sanabil Investment Company	Providing facilities - indirect interest	2021	Total 1,706,250,000 Without preferential terms Outstanding balance 1,631,490,030
Dr. Abdullah bin Hassan Alabdulgader Mr. Bander bin Abdulrahman bin Mogren Dr. Najem bin Abdulla Al Zaid	Saudi Tadawul Group	Providing facilities - indirect interest	2021	Total SR 28,125,000
Engr. Abdulla bin Mohammed Al Zamil	-	Personal loan without preferential terms	2021	Total SR 27,000,000 Outstanding balance SR 27,000,000
Dr. Najem bin Abdulla Al Zaid	Sahara International Petrochemical Company (Sipchem)	Providing facilities - indirect interest	2021	Total SR 495,137,042 Outstanding balance SR 294,680,658
Engr. Muhannad bin Kusai Al Azzawi	Savola Group Company	Providing facilities - indirect interest	2021	Total SR 687,500,000 without preferential terms. On December 31, 2021, the outstanding balance was SR 550,000,000
Mr. Selman bin Fares Al Fares	Bupa Arabia	Providing facilities - indirect interest	2021	Total SR 50,000,000 Outstanding balance SR 14,505,359
Mr. Sultan bin Abdul Malek Al Sheikh	Almarai Company	Providing facilities - indirect interest	2021	Total SR 250,00,000 Outstanding balance SR 15,408,047
Dr. Najem bin Abdulla Al Zaid	Arabian Centres Company	Lease contracts with Arabian Centres Company without preferential terms - Indirect Interest	2021	Annual total of SR 2,455,314
Dr. Najem bin Abdulla Al Zaid	Saudi Electricity Company	Providing facilities - indirect interest	2021	Total SR 737,500,000
Engr. Muhannad bin Kusai Al Azzawi	Saudi Binladin Group	Providing facilities - indirect interest	2021	Total SR 601,779,935 Outstanding balance SR 601,779,935
Mr. Sultan bin Abdul Malek Al Sheikh	Helicopter Company	Providing facilities - indirect interest	2021	Total SR 158,333,333 Outstanding balance SR 68,558,639
Mr. Sultan bin Abdul Malek Al Sheikh	Saudi Real Estate Refinance Company	Providing facilities - indirect interest	2021	Total SR 750,000,000 Outstanding balance SR 94,958,081

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 five board meetings held in 2021. Due to travel restrictions and health precautionary measures as a result of the Covid-19 pandemic, four meetings during 2021 were held virtually through means of electronic video conference. The meeting on 27 October 2021 was held in person in Riyadh. Despite the foregoing, the Board continued to perform its duties and responsibilities effectively without any disruption.

Name	Function	Membership Type	16 February 2021	27 April 2021	27 July 2021	27 October 2021	5 December 2021
Engr. Abdulla bin Mohammed Al Zamil	Chairman	Non-Executive	✓	✓	✓	✓	✓
Dr. Abdullah bin Hassan Alabdulgader	Vice Chairman	Non-Executive	✓	✓	✓	✓	✓
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	✓	✓	✓	✓	✓
Mr. Bander bin Abdulrahman bin Mogren	Member	Non-Executive	✓	x	✓	✓	✓
Mr. Rajeev Kakar	Member	Non-Executive	✓	✓	✓	✓	✓
Engr. Muhannad Al Azzawi	Member	Non-Executive	✓	✓	✓	✓	✓
Mrs. Anju Patwardhan	Member	Non-Executive	✓	✓	✓	✓	✓
Mr. Selman Al Fares	Member	Non-Executive	✓	✓	✓	✓	✓

Board Committee Attendance January - December 2021 Meetings

Board Committee members	Executive Committee	Audit Committee	Governance, Nomination and Remuneration Committee	Board Risk Policy Committee
Dr. Abdullah bin Hassan Alabdulgader			3 (3)	
Engr. 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	6(6)	6(6)		
Mr. Bander bin Abdulrahman bin Mogren			3(3)	
Engr. Mr. Muhannad Al Azzawi	6(6)		3(3)	
Mrs. Anju Patwardhan	6(6)			4(4)
Mr. Rajeev Kakar				4(4)
Mr. Hassan Al Mulla		6(6)	3(3)	
Dr. Abdulla Al Shwer		6(6)		
Mr. Abdulrahman Al Sakran		6(6)		

* 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 2021

Type of meeting	Meeting dates
Executive Committee	1. 16 February 2021 2. 28 March 2021 3. 27 April 2021 4. 27 July 2021 5. 27 October 2021 6. 5 December 2021
Audit Committee	1. 14 February 2021 2. 25 April 2021 3. 25 July 2021 4. 11 August 2021 5. 24 October 2021 6. 1 December 2021
Board Risk Policy Committee	1. 15 February 2021 2. 26 April 2021 3. 25 July 2021 4. 24 October 2021
Governance, Nomination and Remuneration Committee	1. 15 February 2021 2. 21 March 2021 3. 2 December 2020

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 2021 was SAR 4,783,000 (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 Manual 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.

During 2021, 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 2021.

Annual Remuneration for 2021 for Non-Executive Board / Board Committee Members (in SAR)

Member	Board & Committee Sitting Fees	Annual Remuneration	Total
Engr. Abdulla Al Zamil	43,000	457,000	500,000
Dr. Abdulla Alabdulgader	34,000	420,000	454,000
Dr. Najem Al Zaid	37,000	420,000	457,000
Mr. Rajeev Kakar	37,000	400,000	437,000
Mr. Selman Al Fares	55,000	400,000	455,000
Engr. Muhannad Al Azzawi	52,000	400,000	452,000
Mr. Hassan Al Mulla	27,000	360,000[2]	387,000
Mr. Abdulrahman Al Sakran	18,000	120,000	138,000
Dr. Abdulla Al Shwer	18,000	120,000	138,000
Mr. Bander bin Abdulrahman bin Mogren	29,000	320,000	349,000[3]
Mr. Sultan bin Abdul Malek Al Sheikh	61,000	420,000	481,000[4]
Mrs. Anju Patwardhan	30,000 (Committee) 25,000 (Board)[5]	400,000[6]	455,000
Total			**4,703,000**

[2] This figure is comprised of SAR 240,000 which is allocated for 2021 annual remuneration and SAR 120,000 which is allocated for retainer fees accounting for the financial year 2020.

[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

[6] Payments disbursed directly to the Public Investment Fund

The remuneration of the senior executives (requiring SAMA no objection) for the year ended 31 December 2021 was SAR 23,000,000 (consisting of SAR 18.5 million as fixed compensation and SAR 4.5 million as variable compensation).

In addition, remuneration of the five highest paid members of the executive management, which includes the CEO and CFO for the year ended 31 December 2021 was SAR 11.6 million (consisting of SAR 9 million as fixed compensation and SAR 2.6 million 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	1. Engr. Abdulla bin Mohammed Al Zamil	Non-Executive Chairman	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"
	2. Mr. Abdulaziz bin Abdulrahman Al-Helaissi	Executive Member			
	3. Mr. Sultan bin Abdul Malek Al Sheikh	Non-Executive Chairman			
	4. Mrs. Anju Patwardhan	Non-Executive Chairman			
	5. Engr. Muhannad Al Azzawi	Non-Executive Chairman			
Audit Committee	1. Mr. Sultan bin Abdul Malek Al Sheikh	Chairman from within the Board	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"
	2. Mr. Salman Al Fares	Member from within the Board			
	3. Dr. Abdulla Al Shwer	Member outside of the Board	**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, Chief Executive Officer, 2017. **Current:** 1. Ashmore Investments Saudi Arabia, Chief Executive Officer.	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. 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.

Board of Directors Report (continued)

22. Board Committees (continued)

Board Committees	Member Name	Member Position/ Classification	Experience and Positions	Qualifications	Directorship in other entities (whether inside or outside Saudi Arabia)
Audit Committee	4. Mr. Abdulrahman Al Sakran	Member outside of the Board	**Previous:** 1. Deloitte Touché, Accountant, 1995. 2. National Glass Industries Company, Head Group of Finance. 3. Saudi Telecom Co, Financial Advisor, General Financial Manager. 4. General Director of Strategic Planning and Performance, 2003. 5. El-Seif Investment Co, Vice President of Finance, 2008. 6. Al Habib Holding, CEO, 2019. 7. Ministry of Finance, Assistant to the Minister, 2019.	1. Bachelor's in Accounting, King Fahd University of Petroleum and Minerals, 1992. 2. Accounting fellowship, American Institute of Chartered Accountants, 1999. 3. Accounting fellowship, Saudi Organisation for Certified Public Accountants, 2001.	**Current Memberships:** 1. Amana Cooperative Insurance. 2. Mashroat- National Project Management Organisation. 3. GIB KSA The National Agricultural Development Company (NADC). **Previous Memberships:** 1. Asala Holding. 2. Shaker Group. 3. GlobeMed Saudi. 4. Volkswagen KSA. 5. Atheeb Telecommunications Union. 6. Jubail Energy Company. 7. International Gas Company. 8. Modern Arab Construction Company. 9. National Energy Company. 10. RDB-El Seif Co LTD. 11. Saudi Trading Company. 12. Ministry of Media. 13. Dr. Sulaiman Al Habib Medical Group. 14. Riyadh Chambers. 15. Dere'a Healthcare. 16. United Wire Factories Company.
	5. Mr. Hassan Al Mulla	Member outside of the Board	**Previous:** 1. EY-BH, 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.

Board of Directors Report (continued)

22. Board Committees (continued)

Board Committees	Member Name	Member Position/ Classification	Experience and Positions	Qualifications	Directorship in other entities (whether inside or outside Saudi Arabia)
Governance, Nomination & Remuneration Committee	1. Mr. Hassan Al Mulla	Independent Chairman Non-executive	Please see above.	Please see above.	Please see above.
	2. Mr. Bander bin Abdulrahman bin Mogren	Independent 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"
	3. Engr. Muhannad Al Azzawi	Independent Member			
	4. Dr. Abdullah bin Hassan Alabdulgader	Non-executive Member			
Board Risk Policy Committee	1. Dr. Najem bin Abdulla Al Zaid	Non-executive Chairman	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"
	2. Mr. Rajeev Kakar	Non-executive Member			
	3. Mrs. Anju Patwardhan	Non-executive Member			
	4. Mr. Selman Al Fares	Non-executive Member			

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 and 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; and the review of GIB KSA's auditing, accounting and financial reporting policies and processes.

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 nor have any other interest in the company. Below a table showing their directorship in entities, whether inside or outside of the Kingdom of Saudi Arabia as at 31 December 2021:

Name	Qualifications	Experience and Positions:	Directorship in other entities (whether inside or outside Saudi Arabia)
Engr. 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.	**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:** Zamil Industrial, Chief Executive Officer.	**Previous Memberships:** 1. Dammam Airports Company (DACO). 2. GIB UK. 3. VIVA Bahrain (STC). 4. General Authority of Civil Aviation (GACA). 5. Job Creation Commission. 6. Chamber of Commerce & Industry Eastern Province. 7. Neom Industrial City. 8. Human Resources Development Fund (HRDF). 9. Dhahran Ahliyya School (DAS). **Current Memberships:** 1. GIB Capital. 2. GIB KSA. 3. GIB B.S.C. 4. Saudi Global Ports (SGP). 5. Gulf Insulation Group (GIG). 6. Eastern Province Council. (Government Entity). 7. Awqaf Sulaiman Al Rajhi Hold Company. 8. 1st Health Cluster in Eastern Province.
Mr. Abdulaziz bin Abdulrahman Al-Helaissi	Bachelor of Art, Economics, University of Texas, 1989.	**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:** 1. GIB B.S.C., Group Chief Executive. 2. GIB KSA, Chief Executive.	**Previous Memberships:** 1. Tadawul Stock Exchange. 2. Astra Foods Company Riyadh. 3. JPMorgan Investment Bank. **Current Memberships:** 1. King Fahd Causeway Authority. 2. Emerging Market Advisory Council of Institute of International Finance, Inc. (IIF - USA). 3. Golf Saudi. 4. Saudi Golf Federation. 5. GIB KSA. 6. GIB B.S.C. 7. GIB UK Limited, London, UK. 8. GIB Capital.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Name	Qualifications	Experience and Positions:	Directorship in other entities (whether inside or outside Saudi Arabia)
Dr. Abdullah Alabdulgader	1. Bachelor's in Business Administration, King Fahd University of Petroleum and Minerals, 1981 2. Master's in Business Administration, King Fahd University of Petroleum and Minerals, 1983. 3. Doctorate in MIS, University of Colorado, 1988.	**Previous:** 1. King Fahd University of Petroleum and Minerals, Professor, 2012. 2. Saudi Capital Markets Authority, Commissioner, 2009. 3. GCC Board of Directors Institute, Founding Executive Director, 2012.	**Previous Memberships:** 1. Saudi Telecom Company (STC). 2. GIB B.S.C. 3. Saudi Technology Development and Investment Company – Taqnia. **Current Memberships:** 1. The General Organisation for Social Insurance (GOSI). 2. BNY Mellon Saudi Financial Company. 3. STC – Bahrain. 4. GIB KSA. 5. Al Faisaliah Group. 6. Saudi Arabian Railroads Company (SAR). 7. Saudi Arabian Investment Company (SANABIL).
Dr. Najem bin Abdulla Al Zaid	1. Bachelor's in Islamic Law and Saudi Legal system, Umm Al-Qura University, 1994. 2. Diploma in Law, Institute of Public Administration, 1995. 3. Masters in Corporate Law; International Law and Contracts, University of Minnesota Law School, 1999. 4. Doctorate in Law, George Washington University, 2010.	**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. **Current:** ZS&R Law Firm (Al Zaid, Al Sheikh & Al Rashed Law Firm) in association with Hogan Lovells, Founder and Managing Partner.	**Previous Memberships:** 1. Arabian Centers Company 2. The Diriyah Gate Development Authority. 3. The Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. 4. Saudi Agricultural & Livestock Investment Company (SALIC). 5. Saudi Falcon. 6. National Privatization Centre. 7. Saudi Arabia's Accession to The World Trade Organisation. **Current Memberships:** 1. Sahara International Petrochemical Company (SIPCHEM). 2. GIB B.S.C. 3. GIB KSA. 4. Saudi Electricity Company. 5. Saudi Tadawul Group.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Name	Qualifications	Experience and Positions:	Directorship in other entities (whether inside or outside Saudi Arabia)
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.	**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:** Public Investment Fund, Senior Director.	**Previous Memberships:** 1. The Helicopter Company. 2. Saudi Telecom Company. **Current Memberships:** 1. GIB B.S.C. 2. Al Marai Co. 3. Saudi Company for Exchanging Digital Information (Tabadul). 4. Saudi Real Estate Refinance Co.
Mr. Bander bin Abdulrahman bin Mogren	Bachelor's in Human Resources and Business, Eastern Washington, 2000.	**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:** Public Investment Fund (PIF), Chief Operating Officer.	**Previous Memberships:** Central Arriyadh Development Company. **Current Memberships:** 1. Public investment Fund (PIF). 2. Saudi Development and Investment Company (TAQNIA). 3. Saudi Real Estate Company (Al Akaria). 4. King Abdulla Financial District Development & Management Company (KAFD). 5. E-games Infrastructure Company. 6. Jasara. 7. Neom Company. 8. Noon. 9. Sanabil Investments. 10. Tadawul. 11. National Centre for Privatization. 12. GIB KSA. 13. GIB B.S.C. 14. Qiddiya. 15. The Saudi Arabian Military Industries Company (SAMI).

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Name	Qualifications	Experience and Positions:	Directorship in other entities (whether inside or 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 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 (Headquarter 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)-Headquarter: Singapore, 2006-2017. 8. Dunia Finance LLC (Fullerton Affiliate), UAE, Founder, Managing Director on Board, and Chief Executive Officer - Dunia Finance (UAE), 2008-2018.	**Previous Board Memberships:** 1. Satin Creditcare Network Ltd, India. 2. Association of External Search Consultants- USA (www.aesc.org). 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. **Current Board Memberships:** 1. GIB KSA. 2. GIB B.S.C., Bahrain. 3. Commercial International Bank (CIB), Egypt. 4. Eurobank Ergasias S.A, Greece. 5. Unit Trust of India Asset Management Company (UTI AMC), India. 6. Indian Institutes of Management, (PAN IIM Alumni Network Board), GCC. 7. University of Chicago's Booth School of Business, USA (Global Advisory Board). 8. S P Jain School of Global Management, UAE (Advisory Board).
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. AlWusataa Development Company, Partner & CEO.	**Current Memberships:** 1. Al-Rajhi Company for Cooperative Insurance. 2. Bin Laden International Holding Co. BIHG. 3. Saudi Contractor's Authority (SCA). 4. General Authority for Civil Aviation (GACA). 5. Golf Saudi Co. 6. GIB KSA. 7. Saudi Golf Federation (SGF). 8. TAIBA Investment. 9. Merrill Lynch Kingdom of Saudi Arabia.

Board of Directors Report (continued)

23. Directors and Senior Executive Interest (continued)

Name	Qualifications	Experience and Positions:	Directorship in other entities (whether inside or 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. 2. Curve Inc., United Kingdom. 3. Distinguished Careers Institute, Stanford University. 4. Alliance for Innovative Regulation (AIR), Washington DC. 5. 'Ekagrid: University of the Future' India. **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.
Mr. Selman Al Fares	Bachelor's in MIS, Arizona State University.	**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:** 1. AlMajd AlArabiyah Co, CEO.	**Current Memberships:** 1. Technical Investments Company (TechInvest). 2. Solidere International - Dubai. 3. Bupa Arabia. 4. Al-Raidah (RIC). 5. Falcom Holdings. 6. Hassana Investment Company. 7. Inaya Medical College. 8. AlMalath AlArabiah. **Previous Memberships:** 1. Astra Industrial Group (AIG). 2. Rasmala Investment Co. – Dubai. 3. Saudi Automotive Services Company (SASCO). 4. The Investor for Securities Company (INVESCO), Saudi Arabia. 5. AwalNet. 6. Riyadh Chamber of Commerce (served for four terms).

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
Mr. 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.
Mr. Mushari AlOtaibi	Chief Operating Officer	**Current**: GIB KSA, Group Chief Operating Officer. **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.
Mr. Khalid Jalal Abbas	Group Head of Wholesale Banking	**Current**: 1. GIB, Country Head UAE. 2. GIB, Group Wholesale Banking Head. **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.
Ms. Sara Samir Abdulhadi	Chief Investment & Treasury Officer	**Current**: GIB, Chief Investment and Treasury Officer. **Previous:** The Saudi British Bank, Deputy Treasurer, 2019.	1. Bachelor's in Financial Economy, King Fahd University of Petroleum and Minerals, 2000. 2. Master's in General Finance, King Saud University.
Mr. Naif Albaz	Head of Risk Management	**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.

Board of Directors Report (continued)

24. Composition of the Executive Management (continued)

Name	Current Role	Experience and Positions	Qualifications
Mr. Saleem Al Dabbagh (From 12 September 2021) as a successor to Mr. Yasser Alansari (who left on 31st May 2021)	Head of Compliance & 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.
Mr. 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. 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.
Mr. Faisal Sabbagh (From 1 February 2021) as a successor to Mr. Marwan Abiad - GIB Group Chief Financial Officer	Chief Financial Officer	**Current:** GIB, Chief Financial Officer. **Previous**: 1. Internal Auditor, Saudi Aramco, 1998. 2. Senior Financial Controller, NCB, 2003. 3. Chief Accounting Officer, Bank Al Jazira, 2008. 4. Chief Financial Officer, Abdul Latif Jameel Finance, 2016.	1. BSc in Accounting, King Fahd University of Petroleum & Minerals, 1993. 2. MBA in Finance, King Fahd University of Petroleum & Minerals, 1999. 3. Harvard Business School Executive Education, 2015. 4. Strategic Finance Program, IMD, 2013. 5. Executive Development Program, Leadership, Strategy and Management, INSEAD, 2006. 6. Certified Internal Auditor.

Board of Directors Report (continued)

24. Composition of the Executive Management (continued)

Name	Current Role	Experience and Positions	Qualifications
Mr. Abdulla Al Salman (From 28 September 2021) as a successor to Mr. Ali Al-Akbari (who left on 25th August 2021)	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.
Mr. Ali Hassan Abdulhadi	Head of Internal Audit Department	**Current:** GIB, Chief Audit Executive. **Previous**: 1. Arthur Andersen, Audit Manager, 2002. 2. Ernst & Young, Principal Manager, 2004. 3. Samba Financial Group, Credit Approval Officer, 2006. 4. Saudi Hollandi Bank, Senior Financial Auditor, 2007. 5. Al Rajhi Capital, Chief Audit Executive, 2012. 6. SNB Capital, Chief Audit Executive, 2015. 7. Murabaha Finance, Chief Audit Executive, 2016. 8. Arab National Bank, Deputy Chief, 2020.	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. 5. Certificate in Internal Audit, International Financial Reporting (IFRS), 2019.
Mr. Khalil Baghdadi (From 5th December 2021) as a successor to Mr. Moied AlHussain (who left on 10th August 2021)	Head of Legal Affairs	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
Mr. Hussein Buhaliqah	Head of Information Technology	**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.
Mr. Mohammed Al Ajmi	Head of Retail Banking Department	**Previous**: 1. AlRajhi Bank, Compliance Manager, 2010. 2. Solidarity 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.

25. Annual General Meeting

The Bank held its annual general meeting on 28 March 2021. The meeting was a virtual meeting and attended by representatives of the Public Investment Fund, Gulf International Bank B.S.C., the auditors of the Bank, members of the Senior Management of the Bank and the Chairman of the Board.

26. Shariah Supervisory Board (SSB)

The Shariah Supervisory Board (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.

Responsibilities of the SSB

The responsibilities of the SSB include the following:

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

ii. providing Fatwas, approvals and recommendations on all GIB KSA's Islamic products and services before offering the products and services to clients;

iii. determining Shariah parameters necessary for the GIB KSA activities, and the GIB KSA compliance with Islamic Shariah within the framework of the rules, principles, and standards set by the SAMA to ascertain compliance of the Bank with Islamic Shariah; and

iv. assisting the Board and the Management or any related party thereof in overseeing the enforcement and implementation of Shariah Board's resolutions.

The Shariah Supervisory Board during the year 2021 has undertaken Shariah supervision through discussing all Shariah-compliant banking activities, reviewing the Shariah-compliant banking internal audit reports and ensuring that all activities are in compliance with Shariah.

Independence of the SSB

The SSB acknowledges that it has carried out all of its duties independently and with the support and cooperation of the senior management and the Board of GIB KSA. The SSB received the required assistance to access all documents and data, and to discuss all amendments and Shariah requirements.

Board of Directors Report (continued)

SSB Meetings

There were four Shariah Board meetings held in 2021, with the following details of attendance:

SSB Members	28 March	3 August	04 October	20 December
Dr. Mohamed Ali Elgari	✓	✓	✓	✓
Sheikh Nedham Yaqoobi	✓	✓	✓	✓
Sheikh Rashed Alghonaim		✓		

Remuneration

Fixed remuneration	SAR 281,250
Allowances for attending committee meetings	SAR 33,750
Total	SAR 315,000

*These figures do not include VAT

27. Applicable Laws

GIB KSA is subject to the laws of the Kingdom of Saudi Arabia which follows 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 2021) 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 2021 on 17 February 2022 as recommended by the Committee.

viii. GIB KSA was made aware of the provisions of the revised Principles of Corporate Governance issued by SAMA and put forward an implementation plan initiated in 2021 whereby it: (i) updated its relevant policies and procedures, (ii) sought exemption from SAMA as required on certain provisions and (iii) updated certain policies which will be put forward for approval at the 2022 annual general assembly meeting.

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 realize 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 ensure 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 is designed, 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.

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

Internal Controls Report (continued)

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 utilization 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 KSA's and its customers' information by securing network and 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 KSA is designed in-line with industry standards and best practices and comprises of an integrated model of people, process and technologies, including 24/7 security operation centre, cyber security risk management, vulnerability and incident management processes, periodic penetration test, threat intelligence, brand protection services and preventive & detective end point and perimeter security solutions. 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 period ended 31 December 2021, and pursuant to Article 104 of the Saudi Companies Law (2015), 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.

Board of Directors biographies

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

Engr. Abdulla bin Mohammed Al Zamil is the Chairman 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 Air Conditioners Holding Co., Zamil Steel Holding Co., Gulf Insulation Group, Gulf International Bank B.S.C. and GIB Capital. His board memberships include Ranco & Zamil Concrete Industries and Zamil Offshore Services Company. Board memberships of government entities include the Eastern Province Council.

Engr. 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 35 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 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 32 years of banking and regulatory experience primarily in Saudi Arabia.

Dr. Abdullah bin Hassan Alabdulgader
Vice Chairman since 2019
Director since 2019 until June 2022

Dr. Alabdulgader is consulting and serving as a professional non-executive director (NED) in banking, investment, telecommunication, technology, and transportation. He brings extensive knowledge and experience in corporate governance, auditing, remuneration, capital markets regulations, and risk management. Currently, he is a Director at BNY Mellon Saudi, Saudi Arabian Investment Company (Sanabil), Saudi Arabian Railroads Company (SAR), Al Faisaliah Group, General Organization for Social Insurance (GOSI) and Gulf International Bank (UK) Limited – UK. He also serves as an Advisor to the Saudi Stock Exchange (Tadawul).

Dr. Alabdulgader was Professor of Business Administration at King Fahd University of Petroleum and Minerals. In 2004, he moved to the newly established Saudi capital market regulator (Capital Market Authority). As a founding Commissioner, he contributed to the development of the Kingdom's capital market and led the launch of the Saudi corporate governance code. He continued promoting corporate governance in the region after leaving CMA. He was the founding Executive Director of the GCC Board Directors Institute, a non-profit organisation that provides board effectiveness training and assessment.

Dr. Alabdulgader holds a PhD in Business Administration from University of Colorado, USA, and an MBA and BSc in Business Administration from King Fahd University of Petroleum and Minerals. He has 37 years' professional experience.

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 is a Global Advisory Board Member at the University of Chicago's Booth School of Business. He is also a Board Member at Gulf International Bank B.S.C.

From 2006-2018, he was the Global Co-Founder of Fullerton Financial Holdings, a wholly owned subsidiary of Temasek Holdings, Singapore; and also 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, Mechanical Engineering from the Indian Institute of Technology. He has 35 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 Saudi Company for Exchanging Digital Information (Tabadul) and a Board Member of Tahakom Investment Company, Al Marai Company, Gulf International Bank B.S.C. and Saudi Real Estate Refinance Company (SRC).

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. Mr. Al-Sheikh 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 18 years' professional experience.

Mr. Selman Fares M. Al Fares
Director since December 2020

Mr. Selman Fares M. Al Fares is the Chief Executive Officer of AlMajd AlArabiyah Company for Asset and Property Management of a Hospitality Portfolio in Makkah, Madinah and Jeddah. Prior to this, he was 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, he held numerous positions at Samba Financial Group, most recently Senior Country Operation Officer. He previously served as the Chairman of Falcom Holding and a board member of GOSI.

He is currently the Chairman of Smart Link – Saudi Arabia, Vice Chairman of the Technical Investments Company, and a board member Hassana Investment Company and Al-Raedah Investment Company He is also a member of the Investment Committee-Bupa Arabia for Cooperative Insurance.

Mr. Al Fares holds a degree in Computer Information Systems from the Arizona State University, USA. He has 40 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). He is also a member of the PIF Nomination Committee, 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 Vice-Chairman of the Board of Directors of the Saudi Real Estate Company and a member of its Nomination Remuneration Committee. He's also the Vice-Chairman of the Board of the Electronic Games Infrastructure Company and the Chairman of its Nomination Committee.

Mr. Mogren is a board member of King Abdullah Financial District and the Chairman of its Nomination Committee, a board member of Jassara, and a member of the Nomination Remuneration committees of Saudi Tadawul Group, Sanabil Investments, Noon, and the National Center for Privatization, Neom, Qiddiya, and The Saudi Arabian Military Industries Company.

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.

Mr. Mogren holds a BA Double Major in Human Resources and Business Administration from Eastern Washington University, USA. He has 20 years of professional experience.

Board of Directors biographies (continued)

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. 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). 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.

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

Engr. Muhannad bin Kusai bin Hasan Al Azzawi is the Chief Executive Officer (CEO) of Saudi Industrial Construction & Engineering Projects Company (SICEP), Chairman and CEO of Saudi Training & Technology Company (ST&T) Chairman and CEO of Al Wusata Development Company. Engr. AlAzzawi 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 board member of the General Authority of Civil Aviation, 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 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 28 years' professional experience.

Dr. Najem bin Abdulla Al Zaid
Director since 2019

Dr. Najem bin Abdulla Al Zaid is the Deputy Minister of Justice, Saudi Arabia and the Founding Partner of ZS&R law firm in association with Hogan Lovells. He is the Vice Chairman of the Saudi Electricity Company and Gulf International Bank B.S.C. and a member of the Tadawul Regulatory Policies and Oversight Committee. Further, he is a Governance Committee member at Saudi International Petrochemical Company.

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 had 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 27 years' professional experience.

Senior Executive Management

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

Abdulaziz Al-Helaissi has 32 years' banking and regulatory experience and holds BA in Economics from the University of Texas in Austin, USA. His various board memberships have included Tadawul (Saudi Stock Exchange).

Khaled Abbas
Head of Wholesale Banking

Khaled Abbas has more than 25 years' regional banking experience and holds a BSc in Business Studies from Lebanese American University, Beirut, Lebanon and has obtained executive education degrees from both Darden Business School at the University of Virginia, USA and INSEAD, France.

Mohammed AlAjmi
Head of Retail Banking

Mohammed has over 21 years of experience in both Local and International Financial and Banking Industry, including Business and Project Management, Strategic Planning and Corporate and Commercial businesses. Mohammed holds a degree in Law from King Saud University, Riyadh.

Nawaf Kably
Chief Human Resources Officer

Nawaf Kably has more than 25 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

Mushari Al Otaibi has over 30 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 18 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.

Ali Abdulhadi
Chief Auditor

Ali Abdulhadi has 30 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.

Naif Al Baz
Chief Risk Officer

Naif Al Baz has 23 years of regional banking and financial institution experience and is a Board Member at Bayan Credit Bureau and ISPC. 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 at INSEAD and holds an International Executive Doctorate degree from Cranfield University, UK.

Senior Executive Management (continued)

Vikas Sethi
Acting Chief Digital Officer

Vikas Sethi has 26 years of global experience in leveraging technology to deliver business outcomes in Financial Services, Consulting, Banking and Cards industries across multiple geographies. Vikas holds a Bachelor's degree in Engineering from the National Institute of Technology Surathkal in India and an MBA from the Ohio State University in the USA.

Khalil Baghdadi
Head of Legal

Khalil Baghdadi has more than 10 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 of Jeddah, the Kingdom of Saudi Arabia.

Hussein Buhaliqah
Head of Information Technology

Hussein Buhaliqah has more than 19 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

Abdullah has more than 19 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.

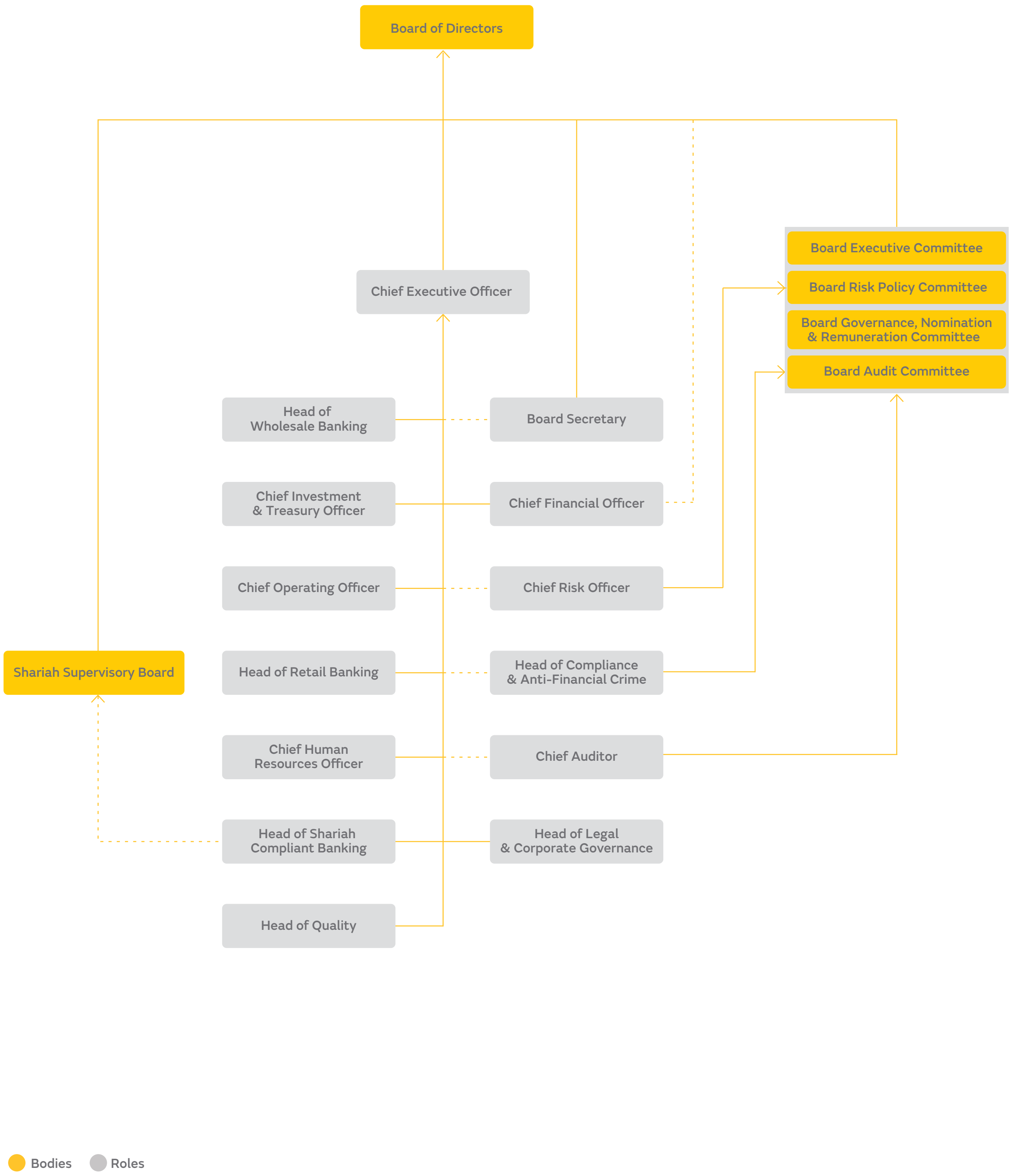
Faisal Sabbagh
Chief Financial Officer

Faisal Sabbagh has more than 24 years' experience in banking, finance, accounting, and auditing. He holds a BSc in Accounting and an MBA in Finance from King Fahd University of Petroleum & Minerals. He is a Certified Internal Auditor and attended Leadership Programs in several business school such as Harvard, INSEAD and IMD.

Saleem Al Dabbagh
Head of Compliance & Anti-Financial Crime

Saleem Al Dabbagh has 28 years' experience in Compliance and Risk Management gained across a range of financial institutions. He holds a Master of Business Administration 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 2021

Contents

INDEPENDENT AUDITORS' REPORT ON THE AUDIT

Of the Consolidated Financial Statements to the Shareholders of Gulf International Bank – Saudi Arabia (A Saudi Closed Joint Stock Company)

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 Professional Services
1st Floor, Battoyor Tower
King Saud Road, Al Safa
P.O. Box 4803
Al Khobar, 31952
Kingdom of Saudi Arabia
Headquarters in Riyadh

Opinion

We have audited the consolidated financial statements of Gulf International Bank – 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 2021, 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, which include significant accounting policies and other explanatory 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 2021, and its consolidated financial performance and its consoildated cash flows for the year then ended in accordance with 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 ("SOCPA") (collectively referred to as "IFRS as endorsed in Kingdom of Saudi Arabia").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") 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 professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. 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 2021 Annual Report

Management is responsible for the other information in the Group's annual report. Other information consists of the information included in the Group's 2021 annual report, other than the consolidated financial statements and our auditors' report thereon. The 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 do not, and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidatd 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.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 the IFRS that are endorsed in Kingdom of Saudi Arabia, the applicable requirements of the Regulation for Companies, the Banking Control Law in the Kingdom of Saudi Arabia and the Bank's By-Laws, and for such internal control as management determines is necessary to enable the preparation of the 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 have no realistic alternative but to do so.

Those charged with governance, the Board of Directors, 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 International Standards on Auditing 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 financial statements.

INDEPENDENT AUDITORS' REPORT ON THE AUDIT

Of the Consolidated Financial Statements 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment 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 the 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 the management.
- Conclude on the appropriateness of the 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 acitivities 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 reponsible for our audit opinion.

We communicate with those charged with governance regarding, amongst 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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 applicable requirements of the Regulation for Companies, 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 2021.

Ernst & Young Professional Services	KPMG Professional Services
P. O. Box 3795 Al Khobar 31952 Kingdom of Saudi Arabia	P.O. Box 4803 Al Khobar 31952 Kingdom of Saudi Arabia
Marwan S. AlAfaliq License No. 422	Dr. Abdullah Hamad Al Fozan License No. 348

______ 1443 H
(__ March 2022)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

	Note	2021	2020
ASSETS			
Cash and balances with Saudi Central Bank (SAMA)	5	**5,004,482**	8,924,059
Due from banks and other financial institutions	6	**2,440,895**	1,267,331
Investments held at fair value through statement of income (FVSI)	7	**205,155**	224,465
Investments held at fair value through other comprehensive Income (FVOCI)	7	**299,644**	370,052
Investments held at amortised cost (AC), net	7	**5,361,683**	2,566,536
Positive fair value of derivatives	8	**198,332**	284,991
Loans and advances, net	9	**23,574,920**	18,786,117
Other assets	10	**407,964**	152,420
Furniture, fixtures and equipment	11	**60,288**	65,820
Right-of-use assets	12	**197,931**	217,943
Intangible assets	13	**38,259**	47,036
Total assets		**37,789,553**	32,906,770
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions	14	**2,326,917**	2,320,715
Customers' deposits	15	**27,236,460**	22,368,371
Negative fair value of derivatives	8	**222,676**	324,578
Other liabilities	16	**684,510**	620,675
Lease liabilities	12	**201,445**	213,278
Total liabilities		**30,672,008**	25,847,617
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		**22,917**	(8,982)
Accumulated losses		**(407,125)**	(433,618)
Total equity attributable to the shareholders of the Bank		**7,117,545**	7,059,153
Total equity		**7,117,545**	7,059,153
Total liabilities and equity		**37,789,553**	32,906,770

The consolidated financial statements were approved by the Board of Directors on 17 February 2022 and signed on its behalf by:-

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

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

	Note	2021	2020
Special commission income	20	**631,488**	686,341
Special commission expense	20	**(161,936)**	(225,233)
Net special commission income		**469,552**	461,108
Fee and commission income	21	**189,568**	98,188
Fee and commission expense	21	**(9,314)**	(3,942)
Net fee and commission income		**180,254**	94,246
Exchange income, net	22	**25,382**	26,442
Gains on investments held at FVSI, net	23	**86,034**	20,844
Gains on other financial instruments, net	24	**20,037**	2,916
Dividend income	25	**11,538**	10,827
Other income	26	**11,366**	11,251
Total operating income		**804,163**	627,634
Salaries and employees' related expenses	27	**(346,609)**	(264,264)
Rent and premises related expenses	28	**(13,793)**	(14,678)
Depreciation and amortisation	29	**(65,913)**	(79,920)
Other general and administrative expenses	30	**(185,918)**	(168,467)
Operating expenses before expected credit losses		**(612,233)**	(527,329)
Expected credit losses (charge) / reversal on :			
Loans and advances	9	**(57,951)**	(518,084)
Financial contingencies and commitments	19	**2,037**	(11,380)
Investments	7	**(346)**	2,662
Total expected credit losses		**(56,260)**	(526,802)
Total operating expenses		**(668,493)**	(1,054,131)
Net income / (loss) for the year before zakat		**135,670**	(426,497)
Zakat charge	31	**(24,706)**	(11,498)
Net income / (loss) for the year		**110,964**	(437,995)
Attributable to:			
Shareholders of the Bank		**110,964**	(437,995)
Net income / (loss) for the year		**110,964**	(437,995)
Earnings per share (expressed in SAR per share)			
Basic and diluted earnings / (loss) per share		**0.148**	(0.584)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

	2021	2020
Net income / (loss)	**110,964**	(437,995)
Other comprehensive income		
Items that will not be reclassified to the consolidated statements of income in subsequent periods:		
- Net change in fair value of FVOCI investments	**12,857**	(11,027)
- Actuarial gains on defined benefit pension plans	**800**	1,296
Other comprehensive income / (loss) for the year	**13,657**	(9,731)
Total comprehensive income / (loss) for the year	**124,621**	(447,726)
Attributable to:		
Shareholders of the Bank	**124,621**	(447,726)
Total comprehensive income / (loss) for the year	**124,621**	(447,726)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

	Share capital	Statutory reserve	Fair value reserve	Accumulated losses	Total equity
Balance at 1 January 2021	**7,500,000**	**1,753**	**(8,982)**	**(433,618)**	**7,059,153**
Net income for the year	-	-	-	110,964	110,964
Other comprehensive income for the year Net change in fair value of FVOCI investments	-	-	12,857	-	12,857
Actuarial gains on defined benefit pension plan	-	-	-	800	800
Total other comprehensive income for the year	-	-	12,857	800	13,657
Total comprehensive income for the year	-	-	12,857	111,764	124,621
Transfer from fair value reserve to accumulated losses	-	-	19,042	(19,042)	-
Consideration paid in excess of net assets acquired of a subsidiary (note 4)	-	-	-	(66,229)	(66,229)
Balance at 31 December 2021	**7,500,000**	**1,753**	**22,917**	**(407,125)**	**7,117,545**

	Share capital	Statutory reserve	Fair value reserve	Accumulated losses	Total equity
Balance at 1 January 2020	7,500,000	1,753	2,045	3,081	7,506,879
Net loss for the year	-	-	-	(437,995)	(437,995)
Other comprehensive loss for the year Net change in fair value of FVOCI investments	-	-	(11,027)	-	(11,027)
Actuarial gains on defined benefit pension plan	-	-	-	1,296	1,296
Total other comprehensive loss for the year	-	-	(11,027)	1,296	(9,731)
Total comprehensive loss for the year	-	-	(11,027)	(436,699)	(447,726)
Transfer from fair value reserve to accumulated losses	-	-	-	-	-
Balance at 31 December 2020	7,500,000	1,753	(8,982)	(433,618)	7,059,153

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

	Note	2021	2020
OPERATING ACTIVITIES			
Net income / (loss) before zakat		**135,670**	(426,497)
Adjustments to reconcile net income / (loss) before zakat to net cash flow (used in) / generated from operating activities:			
Depreciation of furniture, fixtures and equipment	11	**24,454**	26,873
Amortisation of intangible assets	13	**14,239**	24,978
Depreciation of right-of-use assets	12	**27,220**	28,069
Write-off of furniture, fixtures and equipment and intangible assets	11, 13	**5,583**	113
(Reversal) / charge of expected credit losses on financial contingencies and commitments	19	**(2,037)**	11,380
Expected credit losses on loans and advances	9	**57,951**	518,084
Charge / (reversal) of expected credit losses on investments	7	**346**	(2,662)
Gains on investments held at FVSI	23	**(86,034)**	(20,844)
Interest expense on lease liabilities	12	**11,161**	12,298
Gains on other financial instruments, net	24	**(20,037)**	(2,916)
		168,516	168,876
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		**(460,389)**	(108,671)
Positive fair value of derivatives		**106,696**	(121,116)
Loans and advances, net		**(4,846,754)**	(1,819,831)
Other assets		**(249,319)**	(11,571)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		**6,202**	1,742,246
Negative fair value of derivatives		**(101,902)**	148,839
Customers' deposits		**4,868,089**	651,613
Other liabilities		**33,117**	154,408
Net cash (used in) / generated from operating activities		**(475,744)**	804,793
INVESTING ACTIVITIES			
Purchase of investments		**(2,808,107)**	(413,200)
Proceeds from sale of investments		**215,644**	40,000
Purchase of furniture, fixtures and equipment	11	**(19,987)**	(23,231)
Purchase of intangible assets	13	**(6,753)**	(14,023)
Acquisition of a subsidiary, net of cash	4	**(77,429)**	-
Net cash used in investing activities		**(2,696,632)**	(410,454)
FINANCING ACTIVITY			
Payments of lease liabilities	12	**(34,026)**	(33,593)
Net cash used in financing activity		**(34,026)**	(33,593)
Net change in cash and cash equivalents		**(3,206,402)**	360,746
Cash and cash equivalents at the beginning of the year		**9,064,213**	8,703,467
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	32	**5,857,811**	9,064,213
Supplemental non-cash information			
Net change in fair value of equity investments held at FVOCI		**12,857**	(11,027)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

1. GENERAL

Gulf International Bank – Saudi Arabia (a Closed Joint Stock Company - incorporated in the Kingdom of Saudi Arabia) 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 with the number of employees totalling 616 as at 31 December 2021 excluding outsourced employees (31 December 2020: 591). The address of the Bank's Head Office is as follows:

Gulf International Bank – Saudi Arabia

5515 Cooperative Council Road

AlKhuzama Area, unit No: 54, AlKhobar

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.

The consolidated financial statements include the financial statements of Gulf international Bank – Saudi Arabia and its subsidiaries as follows (collectively referred to as "the Group"):

	Ownership interest held by			
	Owners of the Bank		Non-controlling interests	
Name of subsidiary	**2021**	2020	**2021**	2020
GIB Capital Company (a)	**100**	-	**-**	-
Dar Enjaz Gulf Real Estate Company (b)	**100**	100	**-**	-
GIB Opportunistic Saudi Equity Fund - (c)	**80.19**	92.35	**19.81**	7.65
GIB Saudi Equity Fund - (c)	**92.34**	99.25	**7.66**	0.75
GIB Opportunistic Mena Equity Fund (d)	**99.93**	99.96	**0.07**	0.04
GIBC Investment Fund 15 (d)	**100**	100	**-**	-
GIB KSA Markets Limited (e)	**100**	-	**-**	-

a. GIB Capital Company - a limited liability company incorporated in the 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. GIB Capital Company has employees totalling 55 as at 31 December 2021.

b. Dar Enjaz Gulf Real Estate Company 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. Incorporated in the Kingdom of Saudi Arabia, the fund's investment objective is to generate returns by investing in equity instruments listed on Tadawul.

d. Incorporated in the Kingdom of Saudi Arabia, the fund's investment objective is to generate returns by investing in the Middle East and North Africa (MENA) equity instruments.

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

Since the subsidiaries are wholly or substantially owned by the Bank, the non-controlling interest is insignificant and therefore not disclosed. All of the above-mentioned subsidiaries have been consolidated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

2. BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements of the Group have been prepared:

- In accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants ("SOCPA"); and
- In compliance with the provisions of Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and by-laws of the Bank.

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 stated in order of liquidity.

c) 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.

d) Period of consolidated financial statements

According to Clause 46 of the Bank's By-laws, the Bank's fiscal year begins on 1 January and ends on 31 December of each Gregorian year.

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. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant note of these consolidated financial statements.

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 impairment 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

2. Basis of preparation (continued)

e) Critical accounting judgements, estimates and assumptions (continued)

ii) Classification of investments at amortised cost

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payments of principal and interest (SPPI) on the amount outstanding.

iii) Residual value, depreciation, amortisation and useful lives

Assessment of the assets' residual values, depreciation / amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

iv) Fair value measurement

When the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

v) 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.

vi) 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.

vii) Government grant

The recognition of government grant income is subject to management's judgements, including determination of interest rate and the systematic basis over which the government grant will be recorded.

viii) Provisions for liabilities and charges

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

ix) Defined benefit plan

The cost of defined benefit post-employment benefits and the present value of the related obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

x) Zakat

The Group is subject to zakat in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. Zakat is provided on an accrual basis. Zakat computation involves relevant knowledge and judgement of the zakat rules and regulations to assess the impact of zakat liability at a particular period end. This liability is considered as an estimate until the final assessment by ZATCA is raised until which the Group retains exposure to additional zakat liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

2. Basis of preparation (continued)

e) Critical accounting judgements, estimates and assumptions (continued)

xi) Determination of lease terms

In determining the lease terms, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease terms if the lease is reasonably certain to be extended or not terminated. The Group also reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

xii) Acquisition of subsidiary

Fair value of the consideration transferred (including contingent consideration) and fair value of the assets acquired and liabilities assumed, measured on a provisional basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies, estimates and assumptions used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020 except for changes in accounting policies and based on the adoption of new standards and in consideration of current economic environment.

Changes in accounting policies

Earlier and up until 31 December 2020, the Bank opted to avail the exemption available in paragraph 4 of IFRS 10: "Consolidated Financial Statements" for all the subsidiaries, as set out in note 1. Accordingly, the Bank did not prepare consolidated financial statements since the inception of the business as a Closed Joint Stock Company until 31 December 2020.

From 1 January 2021, management has changed its accounting policy and voluntarily opted out of the exemption of preparing consolidated financial statements. Accordingly, these financial statements represent the first set of annual consolidated financial statements, and management has applied the revised accounting policies retrospectively with respect to consolidation of subsidiaries. Since the change in accounting polices did not have a material impact on the previously issued financial statements of the Bank up until 31 December 2020, therefore, it is not disclosed.

New standards, interpretations and amendments adopted by the Group

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The following standards, interpretations or amendments are effective from the current year and are adopted by the Group, however, these do not have any material impact on the consolidated financial statements of the year:

Standards, interpretations, amendments	Description	Effective date
Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. Whilst adoption is not mandatory for September 2021 year ends, earlier application is permitted. Please also refer to note 40 to these consolidated financial statements.	Annual periods beginning on or after 1 January 2021
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 June 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

Accounting standards issued but not yet effective

The International Accounting Standards Board (IASB) has issued the following accounting standards, interpretations and amendments, which were effective from periods on or after 1 January 2022. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the consolidated financial statements of the Group.

Standards, interpretations, amendments	Description	Effective date
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Annual periods beginning on or after 1 April 2021
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in consolidated statement of income. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	Annual periods beginning on or after 1 January 2022.
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 non-current, depending on the rights that exist at the end of the reporting period. 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.	Deferred until accounting periods starting not earlier than 1 January 2024
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

Accounting standards issued but not yet effective (continued)

Standards, interpretations, amendments	Description	Effective date
Amendment to IAS 12, 'Income taxes', 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.
IFRS 17, 'Insurance Contracts', as amended in June 2020	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.
A narrow-scope amendment to the transition requirements in IFRS 17, 'Insurance Contracts'	The amendment relates to insurers' transition to the new Standard only it does not affect any other requirements in IFRS 17. IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time. The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.	Annual periods beginning on or after 1 January 2023.

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 entities which are directly or indirectly controlled by the Group. The Group controls an entity (the 'investee') over which it is exposed, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. Intragroup transactions and balances have been eliminated upon consolidation.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

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 (is recorded if material), 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.

Balances between the Bank and its subsidiaries, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

b) Business combination under IFRS 3

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.

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 expensed 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 recognised directly in the consolidated statement of income.

Goodwill, if any, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

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.

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 other financial assets are classified as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

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.

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 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.

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

Financial assets

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 recognise 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 derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in the consolidated statement of income on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or

Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

v) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank 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 profit or loss 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 derecognises 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 recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the consolidated statement of income. If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective special commission rate and the resulting gain or loss is recognised in consolidated statement of income.

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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

d) Financial instruments (continued)

vi) Impairment (continued)

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

3. Summary of significant 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 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. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. Subsequently, they are measured at the higher of this amortised amount and the amount of loss allowance. The Group has issued no loan commitments that are measured at FVSI. For other loan commitments, the Group recognises loss allowance.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

f) Revenue / expense recognition (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

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 net trading income. 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 2021

(AMOUNTS IN SAR'000)

3. Summary of significant 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.

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.

Interest Rate Benchmark Reform issued in September 2019 (the Phase 1 amendments)

If a hedging relationship is directly affected by IBOR reform, then the Group applies certain exceptions in the Phase 1 amendments to the general hedge accounting policy. The Group considers that a hedging relationship is directly affected by IBOR reform if it is subject to the following uncertainty arising from the reform:

- An interest rate benchmark subject to the reform is designated as the hedged risk, regardless of whether the rate is contractually specified; and/or
- The timing or amount of interest rate benchmark-based cash flows of the hedged item or of the hedging instrument is uncertain.

When the uncertainty arising from IBOR reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument or when the hedging relationship is discontinued, the Group ceases to apply the respective Phase 1 amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

j) Derivative financial instruments and hedge accounting (continued)

Interest Rate Benchmark Reform issued in September 2019 (the Phase 1 amendments) (continued)

However, when determining whether a previously designated forecast transaction is no longer expected to occur, the Group continues to assume that the hedged interest rate benchmark cash flows will not be altered as a result of IBOR reform in accordance with the Phase 1 exemption.

The Group has concluded that as at 31 December 2021 there is no uncertainty in relation to IBOR reform in respect of its hedging relationships.

Interest Rate Benchmark Reform issued in August 2020 (the Phase 2 amendments)

When the basis for determining the contractual cash flows of the hedged item or hedging instrument changes as a result of IBOR reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by IBOR reform. For this purpose, the hedge designation is amended only to make one or more of the following changes:

- Designating an alternative benchmark rate as the hedged risk;
- Updating the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged;
- Updating the description of the hedging instrument; or
- Updating the description of how the entity will assess hedge effectiveness.

The Group amends the description of the hedging instrument only if the following conditions are met:

- It makes a change required by IBOR reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- The chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- The original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by IBOR reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those economically equivalent changes required by IBOR reform described above, then the Group considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in the discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by IBOR reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by IBOR reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

k) Foreign currencies

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

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

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 and is chaired by the Chief Executive Officer.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

m) Fair value measurement (continued)

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 the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

On a periodic basis, the investment committee presents the valuation results to the audit committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

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. 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.

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, equipment and vehicles	Four to five years

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

q) Accounting for leases (continued)

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.

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 consolidated statement of income. Zakat is not accounted for as income tax and no deferred tax is calculated relating to zakat.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

3. Summary of significant accounting policies (continued)

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 amortised 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 Bank 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

4. CHANGES IN COMPOSITION OF THE GROUP

a) Acquisition of a subsidiary

On 1 January 2021, the Group acquired 100% of the shares and voting interests in GIB Capital Company for a cash consideration of SAR 256.7 million. The Group has concluded that the acquired set is a business. The Group incurred acquisition-related costs on legal fees and due diligence costs being immaterial, and these costs have been included in other general and administrative expenses in the consolidated statements of income.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition (1 January 2021):

	At 1 January 2021
CONSIDERATION PAID IN CASH	256,717
VALUE OF ASSETS ACQUIRED AT 1 JANUARY 2021	
Short-term deposits	170,000
Investment held at FVOCI	23,285
Bank balances	9,288
Advances, prepayments and other current assets	9,192
Accounts receivable	4,400
Right-of-use-assets	3,824
Receivable against margin lending	3,538
Furniture, fixture, equipment and intangibles	3,227
Total assets acquired	226,754
VALUE OF LIABILITIES ASSUMED AT 1 JANUARY 2021	
Lease liabilities	3,511
Employees' terminal benefits	7,871
Accrued expenses and other current liabilities	24,884
Total liabilities assumed	36,266
NET ASSETS ACQUIRED AT 1 JANUARY 2021	190,488
Transferred directly to equity (consideration paid in excess of net assets acquired)	66,229
Consideration paid	256,717
Cash and cash equivalents acquired (short-term deposits and bank balances)	(179,288)
Net outflow reflected in the consolidated statement of cash flows	77,429

Since the above transaction is an acquisition of an entity under common control, the assets acquired and liabilities assumed are accounted for at book value, and the difference between consideration paid and net assets acquired is transferred to the accumulated losses in accordance with the accounting policy - "business combination under common controlled transactions" as defined in note 3.

b) Incorporation of a subsidiary

On 6 October 2021, the Group incorporated a 100% owned subsidiary "GIB KSA Markets Limited" ("the Subsidiary"). The share capital of the Subsidiary is US$ 50,000 divided into 50,000 shares of a par value of US$ 1. The subsidiary is incorporated as an exempted Company in the Cayman Islands with Limited Liability. The Subsidiary is engaged in the business of derivatives trading and repo activities on behalf of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

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

	2021	2020
Money market placements with SAMA (note 5.1)	3,424,952	7,781,783
Statutory deposits (note 5.2)	1,557,521	1,097,132
Cash in hand	19,350	34,491
Current account	2,659	10,653
	5,004,482	8,924,059

5.1 Money market placements with SAMA represents overnight reverse repo placement with SAMA that mature on 2 January 2022 (2020: 3 January 2021).

5.2 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 32), when preparing the consolidated statement of cash flows.

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021	2020
Current accounts	535,685	486,980
Money market placements	1,905,210	780,351
	2,440,895	1,267,331
The above includes Shariah based balances as below:		
Murabaha placements	50,002	300,094

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, therefore, no expected credit losses has been considered.

7. INVESTMENTS

a) Investment securities are classified as follows:

	2021	2020
Investments held at amortised cost - gross (7g)	5,362,744	2,567,251
Less: expected credit losses (7h)	(1,061)	(715)
Investments held at amortised cost - net (7d)	5,361,683	2,566,536
Investments held at fair value through statement of income (7e)	205,155	224,465
Investments held at fair value through other comprehensive income (7f)	299,644	370,052
	5,866,482	3,161,053

b) Investment securities include Shariah based investments as follows:

	2021	2020
Investments held at amortised cost	3,058,080	2,311,579
Investments held at fair value through statement of income	88,994	94,011
	3,147,074	2,405,590

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

	2021	2020
Government and quasi government	4,467,870	2,031,565
Corporate	1,188,420	799,386
Banks and other financial institutions	211,253	330,817
Less: expected credit losses	(1,061)	(715)
	5,866,482	3,161,053

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

7. INVESTMENTS (continued)

d) Investments held at amortised cost (AC), net

	2021			2020		
	Quoted	Unquoted	Total	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	4,737,479	65,472	4,802,951	1,805,262	377,028	2,182,290
Debt securities - floating-rate securities	484,722	75,071	559,793	382,000	2,961	384,961
Less: expected credit losses	(807)	(254)	(1,061)	(568)	(147)	(715)
	5,221,394	140,289	5,361,683	2,186,694	379,842	2,566,536

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

	2021	2020
Mutual funds	180,256	165,990
Equity investments	24,899	58,475
	205,155	224,465

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

	2021	2020
Equity investments	299,644	370,052

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 2021, the Group disposed of certain investments measured at FVOCI and realised a total loss of SAR 19 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.

	2021	2020
Balance at 1 January	5,128	7,976
Further investments made	3,750	-
Net change in fair value	(2,780)	(2,848)
Balance at 31 December	6,098	5,128

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 2021	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Total
Balance at 1 January 2021	2,567,251	-	2,567,251
Transfer between the stages	-	-	-
Total transfers	-	-	-
Net change	2,795,493	-	2,795,493
Balance at 31 December 2021	5,362,744	-	5,362,744

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Total
Balance at 1 January 2020	2,151,760	37,286	2,189,046
Transfer between the stages	-	-	-
Total transfers	-	-	-
Net change	415,491	(37,286)	378,205
Balance at 31 December 2020	2,567,251	-	2,567,251

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

7. INVESTMENTS (continued)

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 2021	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Total
Balance at 1 January 2021	715	-	715
Transfer between the stages	-	-	-
Net remeasurement of loss allowance	346	-	346
Balance at 31 December 2021	1,061	-	1,061

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Total
Balance at 1 January 2020	664	2,713	3,377
Transfer between the stages	-	-	-
Net remeasurement of loss allowance	51	(2,713)	(2,662)
Balance at 31 December 2020	715	-	715

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

31 December 2021	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Total
Grades 1-4 : low fair risk	5,362,744	-	5,362,744
Grades 5-7 : watch list	-	-	-
	5,362,744	-	5,362,744

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Total
Grades 1-4 : low fair risk	2,567,251	-	2,567,251
Grades 5-7 : watch list	-	-	-
	2,567,251	-	2,567,251

8. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

8. DERIVATIVES (continued)

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.

The Group has concluded that as at 31 December 2021 its fair value and cash flow hedging relationship were no longer subject to uncertainty driven by IBOR reform. Accordingly, the Group:

- Ceased to apply the assumptions that the hedged benchmark interest rate, the cash flows of the hedged item and/or hedging instrument are not altered as a result of IBOR reform when the uncertainty arising from IBOR reform was no longer present;
- Amended the formal hedge documentation of these hedging relationship to reflect the changes required by IBOR reform by the end of the reporting period during which the changes occurred and amended the description of the hedging instrument in the formal hedge documentation when a fallback provision inserted in a hedging instrument was triggered. These changes in the formal hedge documentation did not cause a discontinuation of the hedging relationship; and
- Remeasured the cumulative changes in the hedged cash flows and the hedging instrument based on new alternative benchmark rates – i.e. SOFR or SONIA – when the uncertainty arising from IBOR reform was removed. For the purpose of remeasuring the cumulative changes in the hedged cash flows, the Group amended the terms of the hypothetical derivative to reflect the changes required by IBOR reform in the hedged item.

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.

Held for hedging purposes

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 currency and commission rate risks. This is generally achieved by hedging specific transactions as well as strategic hedging against overall statement of financial position exposures. Strategic hedging, other than portfolio hedges for commission rate risk, do not qualify for special hedge accounting and related derivatives are accounted for as held for trading.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

8. DERIVATIVES (continued)

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.

31 December 2021

Derivative financial instruments	Positive fair value	Negative fair value	Notional amount
Held for trading			
Commission rate swaps	144,529	(142,563)	10,836,866
Commission rate futures and options	46,376	(46,377)	5,157,569
Forward foreign exchange contracts	3,922	(4,915)	2,818,888
Held as fair value hedges			
Commission rate swaps - loans	3,498	(28,623)	1,012,383
Commission rate swaps - deposits	7	(198)	1,170,020
	198,332	(222,676)	20,995,726

31 December 2020

Derivative financial instruments	Positive fair value	Negative fair value	Notional amount
Held for trading			
Commission rate swaps	242,114	(244,476)	8,194,751
Commission rate futures and options	42,211	(42,229)	1,874,028
Forward foreign exchange contracts	201	(201)	726,430
Held as fair value hedges			
Commission rate swaps - loans	420	(37,373)	820,302
Commission rate swaps - deposits	45	(299)	1,589,831
	284,991	(324,578)	13,205,342

31 December 2021

Derivative financial instruments	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Held for trading					
Commission rate swaps	-	-	3,943,756	6,893,110	10,836,866
Commission rate futures and options	-	-	5,157,569	-	5,157,569
Forward foreign exchange contracts	1,987,874	831,014	-	-	2,818,888
Held as fair value hedges					
Commission rate swaps - loans	-	-	419,448	592,935	1,012,383
Commission rate swaps - deposits	-	1,000,017	170,003	-	1,170,020
	1,987,874	1,831,031	9,690,776	7,486,045	20,995,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

8. DERIVATIVES (continued)

31 December 2020

Derivative financial instruments	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Held for trading					
Commission rate swaps	-	-	2,523,146	5,671,605	8,194,751
Commission rate futures and options	-	86,969	1,787,059	-	1,874,028
Forward foreign exchange contracts	126,440	599,990	-	-	726,430
Held as fair value hedges					
Commission rate swaps - loans	-	-	445,568	374,734	820,302
Commission rate swaps - deposits	-	1,142,855	446,976	-	1,589,831
	126,440	1,829,814	5,202,749	6,046,339	13,205,342

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 2021 **Hedged items**	**Fair value**	**Hedge inception value**	**Hedging instrument**	**Positive fair value**	**Negative fair value**
Loans	**(25,125)**	**1,012,383**	**Commission rate swap**	**3,498**	**(28,623)**
Deposits	**(191)**	**1,170,020**	**Commission rate swap**	**7**	**(198)**

31 December 2020 Hedged items	Fair value	Hedge inception value	Hedging instrument	Positive fair value	Negative fair value
Loans	(36,953)	820,302	Commission rate swap	420	(37,373)
Deposits	(254)	1,589,831	Commission rate swap	45	(299)

Approximately 47% (2020: 38%) of the positive fair value of the Group's derivatives are entered into with financial institutions and less than 53% (2020: 62%) of the positive fair value contracts are with non-financial institutions counterparties at the reporting date. Approximately 81% (2020: 91%) of the negative fair value of the Group's derivatives are entered into with financial institutions and less than 19% (2020: 9%) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

9. LOANS AND ADVANCES, NET

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

31 December 2021	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	**20,586,520**	**1,903,868**	**1,063,247**	**23,553,635**
Non-performing loans and advances	**576,385**	**-**	**1,687**	**578,072**
Loans and advances, gross	**21,162,905**	**1,903,868**	**1,064,934**	**24,131,707**
Less: expected credit losses	**(535,542)**	**(894)**	**(20,351)**	**(556,787)**
Loans and advances, net	**20,627,363**	**1,902,974**	**1,044,583**	**23,574,920**

31 December 2020	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	17,109,503	760,709	721,890	18,592,102
Non-performing loans and advances	792,281	-	1,334	793,615
Loans and advances, gross	17,901,784	760,709	723,224	19,385,717
Less: expected credit losses	(582,233)	(911)	(16,456)	(599,600)
Loans and advances, net	17,319,551	759,798	706,768	18,786,117

b) Reconciliation of gross carrying amount:

31 December 2021	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2021	**17,546,331**	**1,045,771**	**793,615**	**19,385,717**
Transferred from financial contingencies and commitments (note 19)	**-**	**-**	**63,683**	**63,683**
Transfers during the year				
Transfer to Stage 1	**56,127**	**(56,127)**	**-**	**-**
Transfer to Stage 2	**(85,496)**	**271,315**	**(185,819)**	**-**
Transfer to Stage 3	**(32,595)**	**(60,108)**	**92,703**	**-**
	(61,964)	**155,080**	**(93,116)**	**-**
Written-off during the year	**-**	**-**	**(164,447)**	**(164,447)**
Net change during the year	**4,864,659**	**3,758**	**(21,663)**	**4,846,754**
Balance at 31 December 2021	**22,349,026**	**1,204,609**	**578,072**	**24,131,707**

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2020	15,743,034	1,144,867	1,401,208	18,289,109
Transfers during the year				
Transfer to Stage 1	185,540	(185,540)	-	-
Transfer to Stage 2	(440,883)	440,883	-	-
Transfer to Stage 3	-	(110,482)	110,482	-
	(255,343)	144,861	110,482	-
Written-off during the year	-	-	(698,825)	(698,825)
Net change during the year	2,058,640	(243,957)	(19,250)	1,795,433
Balance at 31 December 2020	17,546,331	1,045,771	793,615	19,385,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

9. LOANS AND ADVANCES, NET (continued)

c) Reconciliation of expected credit losses:

31 December 2021	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Balance at 1 January 2021	**90,097**	**73,230**	**436,273**	**599,600**
Transferred from financial contingencies and commitments (note 19)	-	-	**63,683**	**63,683**
Transfers during the year				
Transfer to Stage 1	**435**	**(435)**	-	-
Transfer to Stage 2	**(736)**	**64,343**	**(63,607)**	-
Transfer to Stage 3	**(775)**	**(12,668)**	**13,443**	-
	(1,076)	**51,240**	**(50,164)**	-
Charge/(reversal) during the year				
Corporate	**(28,226)**	**44,422**	**35,050**	**51,246**
Retail	**569**	**2,419**	**3,717**	**6,705**
	(27,657)	**46,841**	**38,767**	**57,951**
Written-off during the year				
Corporate	-	-	**(161,700)**	**(161,700)**
Retail	-	-	**(2,747)**	**(2,747)**
	-	-	**(164,447)**	**(164,447)**
Balance at 31 December 2021	**61,364**	**171,311**	**324,112**	**556,787**

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2020	46,395	62,532	671,414	780,341
Transfers during the year				
Transfer to Stage 1	1,308	(1,308)	-	-
Transfer to Stage 2	(1,830)	1,830	-	-
Transfer to Stage 3	-	(12,505)	12,505	-
	(522)	(11,983)	12,505	-
Charge during the year				
Corporate	35,517	20,811	450,990	507,318
Retail	8,707	1,870	189	10,766
	44,224	22,681	451,179	518,084
Written-off during the year				
Corporate	-	-	(696,686)	(696,686)
Retail	-	-	(2,139)	(2,139)
	-	-	(698,825)	(698,825)
Balance at 31 December 2020	90,097	73,230	436,273	599,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

9. LOANS AND ADVANCES, NET (continued)

d) Expected credit losses for the year:

	2021	2020
Corporate	**51,246**	507,318
Retail	**6,705**	10,766
Total	**57,951**	518,084

e) Details of Shariah based loans and advances:

	2021	2020
Corporate loans	**15,265,251**	12,576,162
Expected credit losses	**(281,868)**	(334,733)
	14,983,383	12,241,429

Credit cards	**16,657**	13,335
Expected credit losses	**(1,296)**	(1,087)
	15,361	12,248

Personal finance	**1,048,277**	709,889
Expected credit losses	**(19,055)**	(15,369)
	1,029,222	694,520

f) Past due but not impaired:

	2021	2020
Corporate - (1-30 days)	**115,853**	238,775
Corporate - (more than 30 days)	**15,646**	-
Retail - (1-30 days)	**42,221**	31,037
Total	**173,720**	269,812

g) Credit quality of gross loans and advances:

31 December 2021	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Grades 1-4: Low – fair risk	**18,702,807**	**2,005**	**-**	**18,704,812**
Grades 5-7: Watch list	**3,646,219**	**1,202,604**	**-**	**4,848,823**
Grade 8: Substandard	**-**	**-**	**225,612**	**225,612**
Grade 9: Doubtful	**-**	**-**	**352,455**	**352,455**
Grade 10: Loss	**-**	**-**	**5**	**5**
	22,349,026	**1,204,609**	**578,072**	**24,131,707**

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Grades 1-4: Low – fair risk	13,266,138	41,708	-	13,307,846
Grades 5-7: Watch list	4,280,194	1,004,062	-	5,284,256
Grade 8: Substandard	-	-	620,617	620,617
Grade 9: Doubtful	-	-	172,637	172,637
Grade 10: Loss	-	-	361	361
	17,546,332	1,045,770	793,615	19,385,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

9. LOANS AND ADVANCES, NET (continued)

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

31 December 2021	Performing loans and advances	Non-performing loans and advances	Loans and advances, gross	Expected credit losses	Loans and advances, net
Agriculture and fishing	956,986	-	956,986	(2,970)	954,016
Manufacturing	4,349,301	60,609	4,409,910	(40,203)	4,369,707
Energy and utilities	141,386	-	141,386	(158)	141,228
Building and construction	1,903,058	74,251	1,977,309	(64,193)	1,913,116
Wholesale retail trade	3,127,976	85,900	3,213,876	(189,528)	3,024,348
Real estate business	1,785,320	-	1,785,320	(5,767)	1,779,553
Transportation	343,284	283,214	626,498	(187,837)	438,661
Services	671,975	72,411	744,386	(3,368)	741,018
Finance	4,043,242	-	4,043,242	(6,808)	4,036,434
Communication	254,955	-	254,955	(226)	254,729
Health care	43,573	-	43,573	(881)	42,692
Petrochemical	2,671,050	-	2,671,050	(5,011)	2,666,039
Others	2,198,282	-	2,198,282	(29,486)	2,168,796
Retail	1,063,247	1,687	1,064,934	(20,351)	1,044,583
	23,553,635	578,072	24,131,707	(556,787)	23,574,920

31 December 2020	Performing loans and advances	Non-performing loans and advances	Loans and advances, gross	Expected credit losses	Loans and advances, net
Agriculture and fishing	1,052,259	-	1,052,259	-	1,052,259
Manufacturing	1,693,510	65,758	1,759,268	(29,469)	1,729,799
Energy and utilities	152,868	-	152,868	-	152,868
Building and construction	1,391,317	121,774	1,513,091	(117,315)	1,395,776
Wholesale retail trade	3,360,195	285,399	3,645,594	(108,945)	3,536,649
Real estate business	1,319,793	-	1,319,793	-	1,319,793
Transportation	1,017,271	283,214	1,300,485	(183,068)	1,117,417
Services	393,416	36,136	429,552	-	429,552
Finance	4,225,719	-	4,225,719	(144,347)	4,081,372
Communication	225,158	-	225,158	-	225,158
Health care	72,473	-	72,473	-	72,473
Petrochemical	1,359,659	-	1,359,659	-	1,359,659
Others	1,606,575	-	1,606,575	-	1,606,575
Retail	721,889	1,334	723,223	(16,456)	706,767
	18,592,102	793,615	19,385,717	(599,600)	18,786,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

10. OTHER ASSETS

	2021	2020
Due from related parties (note 37)	270,546	93,531
Prepayments	41,184	34,474
Margin lending receivables	35,359	-
Accrued interest on derivatives	18,731	10,576
Fees and commission accrued	12,429	-
Value added tax receivable	2,192	3,446
Outward clearing cheques	2,133	99
Others	25,390	10,294
	407,964	152,420

11. FURNITURE, FIXTURES AND EQUIPMENT

2021	Leasehold improvements	Furniture, equipment and vehicles	Work in progress	Total
Cost:				
Balance at 1 January 2021	75,559	137,251	15,576	228,386
Additions	200	874	18,913	19,987
Acquisition of a subsidiary (note 4)	4,788	8,160	-	12,948
Transfers	6,145	22,099	(28,244)	-
Write-offs / impairment	(3,730)	(3,670)	(3,750)	(11,150)
Balance at 31 December 2021	82,962	164,714	2,495	250,171
Accumulated depreciation:				
Balance at 1 January 2021	49,564	113,002	-	162,566
Charge for the year	11,458	12,996	-	24,454
Acquisition of a subsidiary (note 4)	3,052	6,929	-	9,981
Write-offs	(3,728)	(3,390)	-	(7,118)
Balance at 31 December 2021	60,346	129,537	-	189,883
Carrying amount at 31 December 2021	22,616	35,177	2,495	60,288

2020	Leasehold improvements	Furniture, equipment and vehicles	Work in progress	Total
Cost:				
Balance at 1 January 2020	63,014	129,504	31,838	224,356
Additions	817	227	22,187	23,231
Transfers	13,111	18,230	(31,341)	-
Reclassification to intangible assets	-	-	(7,108)	(7,108)
Write-offs	(1,383)	(10,710)	-	(12,093)
Balance at 31 December 2020	75,559	137,251	15,576	228,386
Accumulated depreciation:				
Balance at 1 January 2020	40,718	106,955	-	147,673
Charge for the year	10,160	16,713	-	26,873
Write-offs	(1,314)	(10,666)	-	(11,980)
Balance at 31 December 2020	49,564	113,002	-	162,566
Carrying amount at 31 December 2020	25,995	24,249	15,576	65,820

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

12. LEASES

a) Right-of-use assets

	2021	2020
Balance at 1 January	217,943	235,981
Additions, net	3,384	10,031
Acquisition of a subsidiary (note 4)	3,824	-
Depreciation	(27,220)	(28,069)
Balance at 31 December	197,931	217,943

b) Lease liabilities

	2021	2020
Balance at 1 January	213,278	224,542
Additions, net	7,521	10,031
Acquisition of a subsidiary (note 4)	3,511	-
Special commission expense	11,161	12,298
Payments	(34,026)	(33,593)
Balance at 31 December	201,445	213,278

13. INTANGIBLE ASSETS

2021	**Software**	**Work in progress**	**Total**
Cost:			
Balance at 1 January 2021	135,349	12,112	147,461
Additions	330	6,423	6,753
Acquisition of a subsidiary (note 4)	396	188	584
Transfers	5,500	(5,500)	-
Write-offs	(3,949)	-	(3,949)
Balance at 31 December 2021	**137,626**	**13,223**	**150,849**
Accumulated amortisation:			
Balance at 1 January 2021	100,425	-	100,425
Charge for the year	14,239	-	14,239
Acquisition of a subsidiary (note 4)	324	-	324
Write-offs	(2,398)	-	(2,398)
Balance at 31 December 2021	**112,590**	**-**	**112,590**
Carrying amount at 31 December 2021	**25,036**	**13,223**	**38,259**

2020	Software	Work in progress	Total
Cost:			
Balance at 1 January 2020	115,240	11,090	126,330
Additions	9,729	4,294	14,023
Transfers	10,380	(10,380)	-
Reclassification from furniture, fixtures and equipment	-	7,108	7,108
Balance at 31 December 2020	135,349	12,112	147,461
Accumulated amortisation:			
Balance at 1 January 2020	75,447	-	75,447
Charge for the year	24,978	-	24,978
Balance at 31 December 2020	100,425	-	100,425
Carrying amount at 31 December 2020	34,924	12,112	47,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

14. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021	2020
Current accounts	**17,508**	46,191
Money market deposits	**2,309,409**	2,274,524
	2,326,917	2,320,715

Money market deposits include profit free deposits of SAR 532 million (2020: SAR 532 million) from SAMA with 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 as disclosed in note 39.

The above include Shariah based balances as follows:

	2021	2020
Money market deposits	**223,605**	202,991

15. CUSTOMERS' DEPOSITS

	2021	2020
Demand deposits	**12,205,446**	11,951,324
Time deposits	**13,553,411**	8,838,742
Saving accounts	**382,178**	690,854
Margin	**1,095,425**	887,451
	27,236,460	22,368,371

The above include foreign currency deposits as follows:

	2021	2020
Demand	**2,972,523**	1,275,898
Time	**567,654**	427,701
Others	**7,742**	8,636
	3,547,919	1,712,235

The above include Shariah approved customer deposits as below:

	2021	2020
Murabaha		
Demand	**3,038,404**	853,918
Time	**10,365,947**	274,789
	13,404,351	1,128,707

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

16. OTHER LIABILITIES

	2021	2020
Loss allowance on loan commitments and financial guarantee contracts	**138,195**	203,915
Accrued expenses	**108,116**	50,178
Due to related parties (note 37)	**92,194**	46,060
End of service benefits	**62,723**	50,242
Deferred loan fees	**49,308**	39,549
Sadad payable	**52,785**	44,685
Accrued interest and other items related to derivatives	**34,827**	10,289
Provision for zakat (note 31)	**27,369**	11,497
Sarie payables - others	**21,932**	9,213
Deferred letter of credit and guarantee fees	**18,888**	19,689
Government grant	**12,881**	23,183
Span ATM payable	**5,597**	3,907
Bankers cheques payable	**4,752**	36,954
Withholding tax payables	**4,308**	8,833
Value added tax payable	**3,719**	3,702
Reserve for deposit protection premium	**3,368**	2,561
Others	**43,548**	56,218
	684,510	620,675

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:

	2021	2020
Balance at 1 January	**50,242**	45,204
Acquisition of a subsidiary (note 4)	**7,871**	-
Charge for the year	**11,014**	8,527
Interest cost during the year	**1,462**	1,461
Benefits paid during the year	**(7,066)**	(3,654)
Actuarial gain	**(800)**	(1,296)
Balance at 31 December	**62,723**	50,242

a) Charge for the year

	2021	2020
Current service cost	**11,014**	8,527
Interest cost	**1,462**	1,461
	12,476	9,988

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

	2021	2020
(Loss) / gain from change in experience assumptions	**(3,531)**	1,281
Gain from change in financial assumptions	**154**	15
Gain from change in demographic assumptions	**4,177**	-
	800	1,296

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

16. OTHER LIABILITIES (continued)

i. End of service benefits (continued)

c) Principal actuarial assumptions (in respect of the employee benefit scheme)

	2021	2020
Discount rate	**2.25% - 2.30%**	2.35%
Expected rate of salary increase	**1.9% - 2.25%**	1.95%
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 2021 to the discount rate (2.25% to 2.30%), salary escalation rate (1.90% to 2.25%), withdrawal assumptions and mortality rates.

	Impact on defined benefit obligation		
2021 Base scenario	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	**0.50%**	**(2,235)**	**2,386**
Expected rate of salary increase	**0.50%**	**2,336**	**(2,209)**

	Impact on defined benefit obligation		
2020 Base scenario	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	(2,641)	2,875
Expected rate of salary increase	0.50%	2,871	(2,663)

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:

	2021	2020
Within the next 12 months (next annual reporting period)	**6,586**	2,824
Between 2 and 5 years	**37,519**	16,912
Beyond 5 years up to 10 years	**47,273**	35,668
Total expected payments	**91,378**	55,404

The average duration of the defined benefits plan obligation at 31 December 2021 is 7.2 years (31 December 2020: 10.95 years).

17. SHARE CAPITAL

The authorised, issued and fully paid share capital at 31 December 2021 and 2020 comprised 750 million shares of SAR 10 each. Basic and diluted earnings per share for the year ended 31 December 2021 and 2020 is calculated on a weighted average basis by dividing the net income for the year by 750 million shares.

	2021	2020
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

19. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 31 December 2021, there were no significant legal proceedings outstanding against the Group which requires a disclosure or provision.

b) Capital commitments

As at 31 December 2021 the Group had capital commitments of SAR 35.3 million (2020: SAR 52.7 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.

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.

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				
2021	**Within 3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Total**
Letters of credit	**1,318,927**	**773,950**	**10,491**	**-**	**2,103,368**
Letters of guarantee	**1,625,978**	**5,763,731**	**2,185,202**	**109,583**	**9,684,494**
Acceptances	**420,410**	**180,915**	**126,232**	**-**	**727,557**
Irrevocable commitments to extend credit	**-**	**700,257**	**708,647**	**2,002,621**	**3,411,525**
	3,365,315	**7,418,853**	**3,030,572**	**2,112,204**	**15,926,944**

	Notional amounts by term to maturity				
2020	Within 3 months	3-12 months	1-5 years	Over 5 years	Total
Letters of credit	1,030,317	446,215	1,417	-	1,477,949
Letters of guarantee	1,382,868	5,433,916	1,364,488	45,359	8,226,631
Acceptances	606,501	466,338	58,048	-	1,130,887
Irrevocable commitments to extend credit	-	-	700,000	619,666	1,319,666
	3,019,686	6,346,469	2,123,953	665,025	12,155,133

The outstanding unused portion of commitments as at 31 December 2021 which can be revoked unilaterally at any time by the Group, amounts to SAR 4,788 million (2020: 4,466 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

19. CONTINGENCIES AND COMMITMENTS (continued)

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

	2021	2020
Corporate	14,274,909	10,818,617
Banks and other financial institutions	1,652,035	1,336,516
	15,926,944	12,155,133

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

31 December 2021	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2021	7,222,062	4,443,039	490,032	12,155,133
Transferred from financial				
Transferred to loans (note 9)	-	-	(63,683)	(63,683)
Transfers during the year				
Transfer to Stage 1	309,010	(309,010)	-	-
Transfer to Stage 2	(19,486)	19,486	-	-
Transfer to Stage 3	-	(22,352)	22,352	-
	289,524	(311,876)	22,352	-
Net change during the year	3,556,306	318,262	(39,074)	3,835,494
Balance at 31 December 2021	11,067,892	4,449,425	409,627	15,926,944

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2020	7,139,474	3,733,956	509,313	11,382,743
Transfers during the year				
Transfer to Stage 1	769,059	(769,059)	-	-
Transfer to Stage 2	1,876	(1,876)	-	-
Transfer to Stage 3	-	-	-	-
	770,935	(770,935)	-	-
Net change during the year	(688,347)	1,480,018	(19,281)	772,390
Balance at 31 December 2020	7,222,062	4,443,039	490,032	12,155,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

19. CONTINGENCIES AND COMMITMENTS (continued)

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

31 December 2021	**Stage 1 (12-month ECL)**	**Stage 2 (lifetime ECL but not credit- impaired)**	**Stage 3 (lifetime ECL credit-impaired)**	**Total**
Balance at 1 January 2021	**10,633**	**10,060**	**183,222**	**203,915**
Transferred to loans (note 9)	**-**	**-**	**(63,683)**	**(63,683)**
Transfers during the year				
Transfer to Stage 1	**196**	**(196)**	**-**	**-**
Transfer to Stage 2	**(15)**	**15**	**-**	**-**
Transfer to Stage 3	**-**	**(2,227)**	**2,227**	**-**
	181	**(2,408)**	**2,227**	**-**
(Reversal) / charge during the year	**(2,091)**	**(1,592)**	**1,646**	**(2,037)**
Balance at 31 December 2021	**8,723**	**6,060**	**123,412**	**138,195**

31 December 2020	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2020	6,768	11,558	174,209	192,535
Transfers during the year				
Transfer to Stage 1	61	(61)	-	-
Transfer to Stage 2	(1,211)	1,211	-	-
Transfer to Stage 3	-	-	-	-
	(1,150)	1,150	-	-
Charge / (reversal) during the year	5,015	(2,648)	9,013	11,380
Balance at 31 December 2020	10,633	10,060	183,222	203,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

20. SPECIAL COMMISSION INCOME AND EXPENSE

	2021	2020
Special commission income		
Investments held at amortised cost	**89,811**	67,295
Due from banks and other financial institutions	**28,798**	66,261
Loans and advances	**512,879**	552,785
	631,488	686,341
Special commission expense		
Due to banks and other financial institutions	**2,371**	4,489
Lease liabilities (note 12.b)	**11,161**	12,298
Customers' deposits	**148,404**	208,446
	161,936	225,233
Net special commission income	**469,552**	461,108

The breakup of income from Shariah products is as follows:

	2021	2020
Investments held at amortised cost		
Sukuks	**77,676**	65,567
Due from banks and other financial institutions		
Murabaha	**968**	3,378
Loans and advances		
Murabaha	**339,870**	374,202
	418,514	443,147

The breakup of expense from Shariah products is as follows:

	2021	2020
Due to banks and other financial institutions		
Murabaha	**254**	124
Customers' deposits		
Murabaha	**90,186**	145,632
	90,440	145,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

21. FEE AND COMMISSION INCOME AND EXPENSE

	2021	2020
Fee and commission income		
Letters of credit	35,403	34,686
Letters of guarantee	30,574	43,827
Other banking services	34,095	19,675
Brokerage	5,640	-
Advisory	43,307	-
Asset management	40,549	-
	189,568	98,188
Fee and commission expense		
Bank charges and commission	(5,037)	(3,112)
Other fees and commission expenses	(4,277)	(830)
	(9,314)	(3,942)
Net fee and commission income	180,254	94,246
Point in time:		
Other banking services	22,117	14,208
Advisory	43,307	-
Over time:		
Trade finance	65,977	78,513
Fees on credit facilities	17,618	5,467
Asset management fee	40,549	-
	189,568	98,188

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. GAINS 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. GAINS ON OTHER FINANCIAL INSTRUMENTS, NET

	2021	2020
Derivatives	15,700	2,916
Gain on sale of debt securities	4,337	-
	20,037	2,916

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

25. DIVIDEND INCOME

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

26. OTHER INCOME

Other income 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 2021 and the forms of such payments.

	2021			
Category	**Number of employees**	**Fixed compensation**	**Variable compensation**	**Total**
Senior executives requiring SAMA no objection	**15**	**18,499**	**4,542**	**23,041**
Employees engaged in risk taking activities	**114**	**60,353**	**8,343**	**68,696**
Employees engaged in control functions	**181**	**41,339**	**3,405**	**44,744**
Other employees	**361**	**97,523**	**5,535**	**103,058**
	671	**217,714**	**21,825**	**239,539**
Outsourced employees	**147**	**32,234**	**-**	**32,234**
	818	**249,948**	**21,825**	**271,773**
Variable compensation accrued				**26,178**
Other employee related benefits				**48,658**
Total salaries and employee related expenses per consolidated financial statements				**346,609**

	2020			
Category	Number of employees	Fixed compensation	Variable compensation	Total
Senior executives requiring SAMA no objection	15	14,269	4,558	18,827
Employees engaged in risk taking activities	103	43,307	10,022	53,329
Employees engaged in control functions	163	38,818	4,712	43,530
Other employees	310	77,335	9,251	86,586
	591	173,729	28,543	202,272
Outsourced employees	150	29,314	-	29,314
	741	203,043	28,543	231,586
Variable compensation accrued				9,704
Other employee related benefits				22,974
Total salaries and employee related expenses per consolidated financial statements				264,264

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

28. RENT AND PREMISES RELATED EXPENSES

	2021	2020
Office cleaning and other premises expenses	**2,422**	5,614
Repair and maintenance	**3,973**	3,344
Utilities	**3,699**	3,267
Rent expense - (other than right of use assets)	**3,648**	2,336
Others	**51**	117
	13,793	14,678

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

29. DEPRECIATION AND AMORTISATION

	2021	2020
Depreciation on furniture, fixtures and equipment (note 11)	**24,454**	26,873
Depreciation on right-of-use assets (note 12)	**27,220**	28,069
Amortisation on intangible assets (note 13)	**14,239**	24,978
	65,913	79,920

30. OTHER GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Repair and maintenance	**57,232**	52,057
Valued added tax	**30,695**	15,235
Advertising and business promotion	**15,198**	9,960
Communication and data information services	**13,254**	15,978
Managed services	**12,312**	21,109
Legal, consultancy and statutory fees	**10,106**	18,674
Depositors' protection scheme expenses	**9,908**	8,700
Directors' remuneration and other expenses	**6,267**	3,573
Loss on write-off of furniture, fixtures and equipment and intangible assets	**5,531**	45
Visa card expenses	**4,865**	2,797
Subscription and publication	**4,360**	2,173
Provision for other receivables	**2,657**	-
Insurance	**2,516**	1,520
Corporate social responsibility	**1,323**	4,213
Withholding tax expenses	**862**	2,037
Others	**8,832**	10,396
	185,918	168,467

31. ZAKAT

Gulf International Bank – Saudi Arabia

The provision of zakat liability is estimated based on the results of operations of the Bank. The Bank has accrued a zakat liability of SAR 24.7 million for the year ended 31 December 2021 (31 December 2020: SAR 11.5 million).

Status of assessments

The Bank has filed its zakat declaration with ZATCA for the period from 3rd April 2019 to 31 December 2019 and for the year ended 31 December 2020. However, no assessments have been raised by ZATCA.

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 2021.

Status of assessments

The zakat returns for the years from 2008 till 2020 have been submitted to ZATCA. However, the assessments have not yet been finalised by ZATCA for any of these years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

32. CASH AND CASH EQUIVALENTS

	2021	2020
Cash and balances with Saudi Central Bank (SAMA) excluding statutory deposit	**3,446,961**	7,826,927
Due from banks and other financial institutions with original maturities of three months or less	**2,410,850**	1,237,286
	5,857,811	9,064,213

Cash and balances with Saudi Central Bank (SAMA) includes statutory deposits of SAR 1,558 million (31 December 2020: SAR 1,097 million).

Due from banks and other financial institutions includes amounts with original maturities of more than three-months amounting to SAR 30.05 million (31 December 2020: SAR 30.05 million).

Special commission received and (paid) during the year amounting to SAR 618.2 million (2020: SAR 757.8 million) and SAR -147.4 million (2020: SAR -284.4 million), respectively.

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 7. For details of the composition of loans and advances refer to note 9. Information on credit risk relating to derivative instruments is provided in note 8 and for contingencies and commitments in note 19.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.1 Concentration of risks of financial assets with credit risk exposure and financial liabilities

Geographical concentration

2021	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Total
Assets						
Balance with Saudi Central Bank (SAMA)	4,985,132	-	-	-	-	4,985,132
Due from banks and other financial institutions	1,139,703	286,154	603,224	411,814	-	2,440,895
Investments held at amortised cost, net	5,361,683	-	-	-	-	5,361,683
Investments held at FVOCI	299,644	-	-	-	-	299,644
Investments held at FVSI	205,155	-	-	-	-	205,155
Positive fair value of derivatives	104,965	93,367	-	-	-	198,332
Loans and advances, net	23,574,920	-	-	-	-	23,574,920
Other assets	163,973	173,055	37	-	-	337,065
Total	35,835,175	552,576	603,261	411,814	-	37,402,826
Liabilities						
Due to banks and other financial institutions	801,835	1,522,591	2,454	37	-	2,326,917
Negative fair value of derivatives	41,706	180,970	-	-	-	222,676
Customers' deposits	26,140,280	94,491	1,001,689	-	-	27,236,460
Lease liabilities	201,445	-	-	-	-	201,445
Other liabilities	136,189	57,328	6	-	-	193,523
Total liabilities	27,321,455	1,855,380	1,004,149	37	-	30,181,021
Contingencies and commitments						
Letters of credit	2,065,286	3,871	-	24,811	9,400	2,103,368
Letters of guarantee	8,451,829	228,600	296,279	707,074	712	9,684,494
Acceptances	727,557	-	-	-	-	727,557
Irrevocable commitments to extend credit	3,411,279	246	-	-	-	3,411,525
Maximum credit exposure (stated at credit equivalent amounts)						
Contingencies and commitments						
Letters of credit	787,636	1,031	-	6,607	-	795,274
Letters of guarantee	7,227,253	165,978	77,397	297,475	-	7,768,103
Acceptances	384,494	-	-	-	-	384,494
Irrevocable commitments to extend credit	908,327	-	-	-	-	908,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.1 Concentration of risks of financial assets with credit risk exposure and financial liabilities (continued)

Geographical concentration (continued)

2020	Kingdom of Saudi Arabia	GCC and Middle East	Europe	North America	South East Asia	Total
Assets						
Balance with Saudi Central Bank (SAMA)	8,889,568	-	-	-	-	8,889,568
Due from banks and other financial institutions	681,152	361,167	66,027	158,985	-	1,267,331
Investments held at amortised cost, net	2,566,536	-	-	-	-	2,566,536
Investments held at FVOCI	370,052	-	-	-	-	370,052
Investments held at FVSI	224,465	-	-	-	-	224,465
Positive fair value of derivatives	177,690	107,301	-	-	-	284,991
Loans and advances, net	18,785,892	-	-	-	-	18,785,892
Other assets	58,703	20,418	36	-	-	79,157
Total	31,754,058	488,886	66,063	158,985	-	32,467,992
Liabilities						
Due to banks and other financial institutions	1,609,106	709,119	2,454	36	-	2,320,715
Negative fair value of derivatives	29,963	294,615	-	-	-	324,578
Customers' deposits	21,339,232	28,081	1,001,058	-	-	22,368,371
Lease liabilities	213,278	-	-	-	-	213,278
Other liabilities	156,138	-	21	-	-	156,159
Total liabilities	23,347,717	1,031,815	1,003,533	36	-	25,383,101
Contingencies and commitments						
Letters of credit	1,115,278	-	-	-	362,671	1,477,949
Letters of guarantee	3,923,167	1,902,875	364,706	748,034	1,287,849	8,226,631
Acceptances	1,013,316	-	-	-	117,571	1,130,887
Irrevocable commitments to extend credit	1,319,666	-	-	-	-	1,319,666
Maximum credit exposure (stated at credit equivalent amounts)						
Contingencies and commitments						
Letters of credit	223,481	-	-	-	72,534	296,015
Letters of guarantee	2,358,638	940,049	182,546	276,701	644,496	4,402,430
Acceptances	1,013,315	-	-	-	117,571	1,130,886
Irrevocable commitments to extend credit	654,088	-	-	-	-	654,088

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

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.

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+, and 4 and below, to be significantly deteriorated where they have been downgraded 6 notches, 5 notches, 4 notches and 3 notches respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty. The 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:

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	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

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. Based on advice from the Chief Economist and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the Kingdom of Saudi Arabia, the World Bank, the International Monetary Fund (IMF) and selected private-sector and academic forecasters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis (continued)

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.

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 2021 included the following ranges of key indicators:

KSA	2022	2023	2024
Base 50%	**Year 1**	**Year 2**	**Year 3**
GDP (%)	(0.2)	3.2	3.7
Surplus (% of GDP)	(10.8)	(9.1)	(8.9)
Positive 15%			
GDP (%)	0.8	4.2	4.7
Surplus (% of GDP)	(9.8)	(8.1)	(7.9)
Negative 35%			
GDP (%)	(1.2)	2.2	2.7
Surplus (% of GDP)	(11.8)	(10.1)	(9.9)

The Group has identified economic factors such as fiscal balances and GDP growth in the Kingdom of Saudi Arabia as well as the views of the Chief Economist. Given the nature of the Group's exposures and availability of historical statistically reliable 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 Vasicek model to link the TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The Vasicek model takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data, the asset correlation of each rating category (as per the Basel IRB economic capital formula), and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

Consideration due to COVID-19

In response to the impacts of COVID-19, various support programs have been offered to the customers either voluntarily by the Group or on account of SAMA initiatives, such as customers eligible under the Deferred Payments Program (DPP) (refer to note 39 for further details). The exercise of the deferment option by a customer, on its own, is not consider by the Group as triggering significant increase in credit risk (SICR) and as a consequence impact on ECL for those customers were determined based on their existing staging. However, as part of the Group's credit evaluation process especially given the current economic situation due to aftereffects of lock down, the Group obtained further information from the customers to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable. No change has been made in the backstop criteria for all types of exposures.

The table below shows the sensitivity of change in economic indicators to the ECL computed under three different scenarios used by the Group:

	Probability	Debt instrument at Amortised Cost	Loans and advances	Financial guarantees	Letter of credit	Undrawn commitment
Base	**50%**	**803**	**190,677**	**8,676**	**4,582**	**1,525**
Positive	**25%**	**614**	**172,452**	**7,224**	**3,648**	**1,136**
Negative	**25%**	**1,058**	**210,202**	**10,263**	**5,617**	**1,974**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis (continued)

Measurement of ECL

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 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 financial institutions and sovereign government exposures, the PDs are based on external rating data of all global financial institutions rated by Standard & Poor's.

The Vasicek Model is used to link the TTC PDs with forward looking economic factors to derive PIT PD estimates for each rating category. 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 and the management's estimated recovery rates for each asset class in the event of default.

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. Only cash and equities (subject to a 25% haircut only for equities) 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 and geographic location 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.

Consideration due to COVID 19

The PD, EAD and LGD models are subject to the Group's model risk policy that stipulates periodic model monitoring, periodic revalidation and defines approval procedures and authorities according to model materiality. During the period, the Group has made following material changes in its ECL methodology to reflect the validation exercise undertaking by the Group:

a. Transitioned from using PD estimates based on external data to PD estimates based on the Group's own default experience; and
b. Aligned LGD estimates used to the LGD estimates published by Saudi Credit Bureau (SIMAH).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

33. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

33.2 Credit quality analysis (continued)

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 that are credit impaired as at 31 December are as follows:

	2021	2020
Less than 50%	**37,910**	5,039
51-70%	**31,172**	-
More than 70%	**192,958**	229,022
	262,040	234,061

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 2021 and 2020 are as below, respectively. All the figures are in SAR million:

	Foreign exchange rate risk	Special commission rate risk	Equity price risk	Overall risk
VaR as at 31 December 2021	**0.06**	**0.03**	**1.82**	**1.90**
Average VaR for 2021	**0.14**	**0.02**	**3.90**	**4.06**
VaR as at 31 December 2020	0.21	0.0	9.06	9.27
Average VaR for 2020	0.18	0.0	13.91	14.09

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

34. MARKET RISK (continued)

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 2021 and 2020, 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 special commission income for +100/-100 bps increase in the basis of the US Dollar is SAR +/-47.4 million for 2021 (SAR +/-64 million for 2020).

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 financial instruments 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

34. MARKET RISK (continued)

b) Market risk - (non-trading or banking book) (continued)

i) Special commission rate risk (continued)

2021	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)	3,424,952	-	-	-	1,579,530	5,004,482
Due from banks and other financial institutions	1,875,165	-	30,045	-	535,685	2,440,895
Investments held at FVSI	-	-	-	-	205,155	205,155
Investments held at amortised cost, net	2,087,690	427,564	854,735	1,991,694	-	5,361,683
Investments held at FVOCI	-	-	-	-	299,644	299,644
Positive fair value of derivatives	-	-	-	-	198,332	198,332
Loans and advances, net						
Overdrafts	1,902,974	-	-	-	-	1,902,974
Credit cards	14,958	-	-	-	-	14,958
Consumer loans	133,068	282,225	496,306	118,026	-	1,029,625
Commercial loans	15,190,393	4,553,102	883,868	-	-	20,627,363
Other assets	-	-	-	-	704,442	704,442
Total assets	24,629,200	5,262,891	2,264,954	2,109,720	3,522,788	37,789,553
Liabilities and equity						
Due to banks and other financial institutions	1,776,469	-	-	-	550,448	2,326,917
Customers' deposits	10,612,576	2,364,690	576,145	-	13,683,049	27,236,460
Negative fair value of derivatives	-	-	-	-	222,676	222,676
Lease liabilities	10,649	12,704	53,326	124,766	-	201,445
Other liabilities	-	-	-	-	684,510	684,510
Shareholders' equity	-	-	-	-	7,117,545	7,117,545
Total liabilities and equity	12,399,694	2,377,394	629,471	124,766	22,258,228	37,789,553
Commission rate sensitivity - on consolidated statement of financial position	12,229,506	2,885,497	1,635,483	1,984,954	(18,735,440)	-
Commission rate sensitivity - Off consolidated statement of financial position	3,365,315	7,418,853	3,030,572	2,112,204	-	15,926,944
Total commission rate sensitivity gap	15,594,821	10,304,350	4,666,055	4,097,158	(18,735,440)	15,926,944
Cumulative commission rate sensitivity gap	15,594,821	25,899,171	30,565,226	34,662,384	15,926,944	122,648,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

34. MARKET RISK (continued)

b) Market risk - (non-trading or banking book) (continued)

i) Special commission rate risk (continued)

2020	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)	7,781,784	-	-	-	1,142,275	8,924,059
Due from banks and other financial institutions	750,333	-	30,017	-	486,981	1,267,331
Investments held at FVSI	-	-	-	-	224,465	224,465
Investments held at amortised cost, net	57,914	174,071	1,536,584	797,967	-	2,566,536
Investments held at FVOCI	-	-	-	-	370,052	370,052
Positive fair value of derivatives	-	-	-	-	284,991	284,991
Loans and advances, net						
Overdrafts	759,798	-	-	-	-	759,798
Credit cards	12,248	-	-	-	-	12,248
Consumer loans	73,158	3,121	617,106	1,135	-	694,520
Commercial loans	16,044,303	1,275,248	-	-	-	17,319,551
Other assets	-	-	-	-	483,219	483,219
Total assets	25,479,538	1,452,440	2,183,707	799,102	2,991,983	32,906,770
Liabilities and equity						
Due to banks and other financial institutions	693,601	150,000	1,430,923	-	46,191	2,320,715
Customers' deposits	5,338,797	3,499,945	-	-	13,529,629	22,368,371
Negative fair value of derivatives	-	-	-	-	324,578	324,578
Lease liabilities	-	3,805	55,491	153,982	-	213,278
Other liabilities	-	-	-	-	620,675	620,675
Shareholders' equity	-	-	-	-	7,059,153	7,059,153
Total liabilities and equity	6,032,398	3,653,750	1,486,414	153,982	21,580,226	32,906,770
Commission rate sensitivity - on consolidated statement of financial position	19,447,140	(2,201,310)	697,293	645,120	(18,588,243)	-
Commission rate sensitivity - Off consolidated statement of financial position	3,019,686	6,346,469	2,123,953	665,025	-	12,155,133
Total commission rate sensitivity gap	22,466,826	4,145,159	2,821,246	1,310,145	(18,588,243)	12,155,133
Cumulative commission rate sensitivity gap	22,466,826	26,611,985	29,433,231	30,743,376	12,155,133	121,410,551

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

34. MARKET RISK (continued)

b) Market risk - (non-trading or banking book) (continued)

ii) 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 2021 and 2020, 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.

	2021 - effect on net income	2020 - effect on net income
USD	2,575 / (2,574)	3,608 / (3,608)
EURO	10 / (10)	2,565 / (2,565)
GBP	19 / (19)	9 / (9)
JPY	23 / (23)	15 / (15)

iii) 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:

	2021	2020
US Dollar	51,489	72,164
Japanese Yen	458	293
Euro	199	51,309
Pound Sterling	383	187
Others	3,947	3,255
	56,476	127,208

iv) Equity price risk

Equity risk refers to the risk of decrease in fair values of equities in the Group's non-trading investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Group's equity investments held at FVOCI due to reasonable possible change in equity indices, with all other variables held constant is as follows:

Market indices		Change in equity price%	Effect (SAR 'million)
Tadawul	2021	-5%	(14.98)
Tadawul	2020	-5%	(18.24)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

35. LIQUIDITY RISK

Liquidity risk is the risk that the Group 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. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities.

Management monitors the maturity profile to ensure that adequate liquidity is maintained. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of both the Group and operating subsidiary. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

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 2021, 22.8% percent 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 2021, 17% of customer deposits are placed with SAMA on an overnight basis and short-term T-bills with SAMA.

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.

In accordance with Banking Control Law and the regulations issued by SAMA, the Group maintains a statutory deposit with SAMA equal to 7% of total demand deposits and 4% of saving and time deposits. In addition to the statutory deposit, the Group also 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.

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 2021 and 2020 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.

	2021					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks and other financial institutions	1,776,469	-	532,940	-	17,508	2,326,917
Customers' deposits						
Demand	-	-	-	-	12,205,446	12,205,446
Saving	-	-	-	-	382,178	382,178
Time	10,612,576	2,364,690	576,145	-	-	13,553,411
Other	-	-	-	-	1,095,425	1,095,425
Negative fair value of derivatives	-	-	-	-	222,676	222,676
Lease liabilities	13,149	14,852	74,308	246,127	-	348,436
Other liabilities	-	-	-	-	193,523	193,523
	12,402,194	2,379,542	1,183,393	246,127	14,116,756	30,328,012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

35. LIQUIDITY RISK (continued)

	2020					
	Within 3 months	3-12 months	1-5 years	Over 5 years	No fixed maturity	Total
Liabilities						
Due to banks and other financial institutions	693,052	153,009	1,428,463	-	46,191	2,320,715
Customers' deposits						
Demand	-	-	-	-	11,951,324	11,951,324
Saving	-	-	-	-	690,854	690,854
Time	6,907,781	1,570,705	360,256	-	-	8,838,742
Other	-	-	-	-	887,451	887,451
Negative fair value of derivatives	-	-	-	-	324,578	324,578
Lease liabilities	6,659	19,693	79,039	212,370	-	317,761
Other liabilities	-	-	-	-	156,159	156,159
	7,607,492	1,743,407	1,867,758	212,370	14,056,557	25,487,584

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.

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

		Fair value			
At 31 December 2021	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investments held at FVOCI	**299,644**	**293,546**	**-**	**6,098**	**299,644**
Investments held at FVSI	**205,155**	**205,155**	**-**	**-**	**205,155**
Positive fair value of derivatives	**198,332**	**-**	**198,332**	**-**	**198,332**
Financial assets not measured at fair value					
Investments held at amortised cost	**5,361,683**	**-**	**3,171,546**	**2,207,181**	**5,378,727**
Loans and advances	**23,574,920**	**-**	**-**	**23,898,431**	**23,898,431**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments held at FVOCI	370,052	364,924	-	5,128	370,052
Investments held at FVSI	224,465	224,465	-	-	224,465
Positive fair value of derivatives	284,991	-	284,991	-	284,991
Financial assets not measured at fair value					
Investments held at amortised cost	2,566,536	-	2,488,513	164,077	2,652,590
Loans and advances	18,786,117	-	-	18,830,805	18,830,805

At 31 December 2021	**Carrying value**	**Fair value**			
		Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value					
Negative fair value of derivatives	**222,676**	**-**	**222,676**	**-**	**222,676**
Financial liabilities not measured at fair value					
Customers' deposits	**27,236,460**	**-**	**-**	**26,655,901**	**26,655,901**

At 31 December 2020	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	324,578	-	324,578	-	324,578
Financial liabilities not measured at fair value					
Customers' deposits	22,368,371	-	-	22,144,372	22,144,372

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.

Short-term customers' deposits, due to banks and other financial institutions with maturity of less than 90 days and other short-term payables 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 2021 and 2020.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

36. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

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 loans 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. The fair values (level 3) approximate the carrying values.

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. 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 balances as at 31 December resulting from such transactions included in the consolidated financial statements are as follows:

	2021	2020
Gulf International Bank BSC, its subsidiaries and branches:		
Due from banks and other financial institutions	**222,281**	286,224
Due to banks and other financial institutions	**1,522,985**	887,924
Other assets	**270,546**	72,992
Other liabilities	**92,194**	46,060
Public Investment Fund and its subsidiaries:		
Loans and advances	**3,559,049**	1,966,767
Customers' deposits	**8,705,520**	7,543,385

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

37. RELATED PARTY TRANSACTIONS (continued)

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

	2021	2020
Gulf International Bank BSC, its subsidiaries and branches:		
Derivatives	14,496,122	8,889,104
Contingencies and commitments	945,618	986,393
Public Investment Fund and its subsidiaries:		
Derivatives	1,211,475	972,826
Contingencies and commitments	4,061,033	3,634,546

(iii) Income and expenses pertaining to transactions with related parties included in the consolidated financial statements are as follows:

	2021	2020
Gulf International Bank BSC, its subsidiaries and branches		
Special commission income	12,605	3,293
Special commission expense	979	2,845
Fees and commission income and expense, net	10,325	4,889
Public Investment Fund and its subsidiaries:		
Special commission income	50,110	46,404
Special commission expense	20,918	34,442
Fees and commission income and expense, net	19,189	13,391

(iv) The total amount of compensation paid to directors and key management personnel during the year is as follows:

	2021	2020
Short-term employee benefits	18,499	14,990
Post-employment benefits	2,656	885
Directors' remuneration and other expenses	6,267	3,573

38. 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 daily by the Group's 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 the agreed minimum of 8%.

The Group monitors the adequacy of its capital using the methodology and ratios established by SAMA. These ratios measure capital adequacy by comparing the Group's eligible capital with its assets, contingencies and commitments, and notional amounts of derivatives at a weighted amount to reflect their relative risk.

	2021	2020
Risk-weighted exposure		
Credit risk RWA	31,574,014	25,877,562
Operational risk RWA	1,091,745	951,591
Market risk RWA	466,786	527,183
Total risk-weighted exposure	33,132,545	27,356,336
Regulatory capital base		
Tier I capital	7,079,286	7,059,153
Tier II capital	248,519	184,737
Total regulatory capital base	7,327,805	7,243,890
Capital adequacy ratios		
Tier I ratio	21.37%	25.80%
Total ratio	22.12%	26.48%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

39. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are experiencing multiple waves of infections despite having previously controlled the outbreak through aggressive precautionary measures. The Government of the Kingdom of Saudi Arabia, however, managed to successfully control the outbreak to date.

The Group continues to evaluate the current ma croeconomic situation including the impact of the pandemic and resultant government and SAMA support measures, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The Group has also made updates within its ECL model to refine the application of the staging criteria due to SICR on affected customers to be able to differentiate and reflect appropriately in its models.

The Group continues to evaluate the current macroeconomic situation and conducts review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required. The credit reviews also take into consideration the impact of the government and SAMA support relief programs. To the extent that certain effects cannot be fully incorporated into the ECL model calculations at this point in time, management continues to exercise expert credit judgement to estimate ECL by considering reasonable and supportable information not already included in the quantitative models. Following are the details of management's overlay:

	2021 (SAR' million)	2020 (SAR' million)
Balance at 1 January	**29.2**	-
Provided during the year	**25**	35
Utilised during the year	**(31.3)**	(5.8)
Balance at 31 December	**22.9**	29.2

As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. The impact of such uncertain economic environment is judgmental and the Group will continue to reassess its position and the related impact on a regular basis.

SAMA support programs and initiatives

Private Sector Financing Support Program ("PSFSP")

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. As part of the deferred payments program launched by SAMA in March 2020 and with further extensions to the program till March 2022 announced subsequently, the Group deferred payments and extended maturities on lending facilities to all eligible MSMEs as follows:

Support programs	**Instalment deferred/ tenor extended (SAR 'million)**	**Cost of deferral / extension (SAR 'million)**
April 2020 – September 2020	**1,481**	**28.96**
October 2020 – June 2021	**625**	**21.01**
July 2021 – September 2021	**109**	**1.51**
October 2021 – December 2021	**77**	**1.12**
January 2022 - March 2022	**34**	**0.54**

The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. Since July 2021 this support only applied to those MSMEs that were still affected by the COVID-19 precautionary measures in line with guidance issued by SAMA in this regard.

The accounting impact of the above changes in terms of the credit facilities were assessed and treated as per the requirements of IFRS 9 as modification in terms of arrangement.

In order to compensate the related cost that the Group has incurred under the SAMA and other public authorities program, during the years 2021 and 2020, the Group has received multiple profit free deposits from SAMA amounting to SAR 906 million with varying maturities, which qualify as government grants, out of which SAR 374 million matured in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

(AMOUNTS IN SAR'000)

39. IMPACT OF COVID-19 ON EXPECTED CREDIT LOSSES ("ECL") AND SAMA PROGRAMS (continued)

SAMA support programs and initiatives (continued)

Private Sector Financing Support Program ("PSFSP") (continued)

Management determined based on communication from SAMA that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. Management has exercised certain judgements in the recognition and measurement of this grant income. During the year ended 31 December 2021, a total of SAR 5.5 million (2020: SAR 35.9 million) has been recognised in the consolidated statement of income with respect to related deposits with an aggregate of SAR 12.8 million deferred grant income as at 31 December 2021 (2020: SAR 18.3 million).

SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion

In line with its monetary and financial stability mandate, SAMA injected SAR 50 billion into the banking sector to:

- Enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- Restructure current credit facilities without any additional fees;
- Support plans to maintain employment levels in the private sector; and
- Provide relief for a number of banking fees that have been waived for customers.

In this regard, during 2020, the Group received a SAR 948 million profit free deposit with one-year maturity. Management has determined based on the communication received from SAMA that this government grant primarily relates to liquidity support. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in the Group recognising total income of SAR 11.65 million. During the year SAR 4.9 million (2020: SAR 6.8 million) has been recognised in the consolidated statement of income with the remaining amount deferred - 2021: nil (2020: SAR 4.9 million). This deposit was repaid in June 2021.

40. 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 a profit rate benchmark, including the replacement of an existing Inter-bank Offer Rate ("IBOR") with an alternative Risk-Free Rate ("RFR"). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021, and include practical expedients in respect of:

- Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform by updating the effective special commission rate, resulting in no immediate consolidated statement of income impact. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis; and
- Permitting changes to hedge designation and documentation as a result of IBOR reform without discontinuing the existing hedge accounted relationship.

As the Group believes there continues to be uncertainty as to the timing and the methods for transition, under the Phase 1 amendments, IBOR continues to be used as a reference rate as at 31 December 2021 in the valuation of instruments with maturities that exceed the expected end date for IBORs in various jurisdictions and applying to various currencies. Regulatory authorities, relevant benchmark rate administrators and public and private sector working groups globally are considering, and have started to announce mechanisms for, transition to alternative benchmark rates. The Group continues to monitor this guidance as it emerges.

During 2020 the Board established a steering committee, consisting of key finance, risk, IT, treasury, legal and compliance personnel and external advisors, to oversee the Group's IBOR transition plan. This steering committee put in place a transition project for those contracts which reference USD LIBOR to transition them to SOFR, with the aim of minimising the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at 31 December 2021, changes required to systems, processes and models have been identified and have been partially implemented. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed.

The Group has identified that the areas of most significant risk arising from the replacement of USD LIBOR are: updating systems and processes which capture USD LIBOR referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from USD LIBOR and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participants, to ensure an orderly transition to SOFR and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with USD LIBOR replacement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
(AMOUNTS IN SAR'000)

40. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS) (continued)

The following table contains details of all of the financial instruments that the Group holds at 31 December 2021 which reference USD LIBOR and have not yet transitioned to an alternative interest rate benchmark:

USD LIBOR **31 December 2021**	**Non- derivative financial assets' carrying value**	**Non-derivative financial liabilities' carrying value**	**Derivatives' nominal amount**
LIBOR USD (1 months)	**33,750**	**-**	**-**
LIBOR USD (3 months)	**196,780**	**30,000**	**2,759,557**
LIBOR USD (6 months)	**346,029**	**-**	**2,075,250**
	576,559	**30,000**	**4,834,807**

USD LIBOR 31 December 2020	Non- derivative financial assets' carrying value	Non-derivative financial liabilities' carrying value	Derivatives' nominal amount
LIBOR USD (1 months)	-	-	-
LIBOR USD (3 months)	10,313	30,000	3,163,878
LIBOR USD (6 months)	91,950	-	1,820,250
	102,263	30,000	4,984,128

Management is running a project on the Group's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

41. COMPARATIVE FIGURES

In order to comply with the current year presentation, expected credit losses on loan commitments and financial guarantee contracts and government grants have been reclassified to other liabilities as follows:

	As previously reported Dr / (Cr)	Effects due to re-classification Dr / (Cr)	**After re-classification Dr / (Cr)**
Statement of financial position as at 31 December 2020			
Loans and advances, net	18,761,718	24,399	**18,786,117**
Other liabilities	(573,094)	(47,581)	**(620,675)**
Government grants	(23,182)	23,182	**-**
Statement of income for the year ended 31 December 2020			
Expected credit losses on loans and advances	524,156	(6,072)	**518,084**
Expected credit losses on financial contingencies and commitments	5,308	6,072	**11,380**

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 9.89 billion out of which is an Islamic portfolio totalling SAR 3.02 billion.

43. EVENTS AFTER THE REPORTING DATE

There were no significant events between the date of these consolidated financial statements authorisation and date of consolidated statement of financial position, which requires adjustment / disclosure in these consolidated financial statements.

44. BOARD OF DIRECTORS' APPROVAL

These consolidated financial statements were approved by the Board of Directors on 17 February 2022G (corresponding to 16 Rajab 1443H).

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

Contents

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

1. KM1: Key metrics

	SAR (thousands)	a 31-Dec-2021	b 30-Sep-2021	c 30-Jun-2021	d 31-Mar-2021	e 31-Dec-2020
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	7,079,286	7,068,416	7,083,675	7,056,559	7,059,153
1a	Fully loaded ECL accounting model					
2	Tier 1	7,079,286	7,068,416	7,083,675	7,056,559	7,059,153
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital	7,327,805	7,263,884	7,254,883	7,236,034	7,243,890
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	33,132,545	33,665,863	31,439,343	29,614,458	27,356,337
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	21.4%	21.0%	22.5%	23.8%	25.8%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	Tier 1 ratio (%)	21.4%	21.0%	22.5%	23.8%	25.8%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	22.1%	21.6%	23.1%	24.4%	26.5%
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 (%)	0.1%	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)	2.6%	2.6%	2.6%	2.6%	2.6%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.8%	10.4%	12.0%	13.3%	15.2%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	47,056,689	43,006,131	41,405,666	40,890,587	39,578,953
14	Basel III leverage ratio (%) (row 2 / row 13)	15.0%	16.4%	17.1%	17.3%	17.8%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)					
	Liquidity Coverage Ratio					
15	Total HQLA	9,820,744	8,167,843	9,385,347	9,402,617	10,953,781
16	Total net cash outflow	5,521,796	5,003,213	5,320,700	4,523,753	5,311,704
17	LCR ratio (%)	177.9%	163.3%	176.3%	207.8%	206.2%
	Net Stable Funding Ratio					
18	Total available stable funding	22,865,393	22,193,469	21,569,611	21,283,905	20,479,075
19	Total required stable funding	17,065,622	16,206,363	14,856,881	14,566,252	13,564,882
20	NSFR ratio	134.0%	136.9%	145.2%	146.1%	150.9%

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

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 2021

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 2021

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.

2. OVA - Bank risk management approach (continued)

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

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.

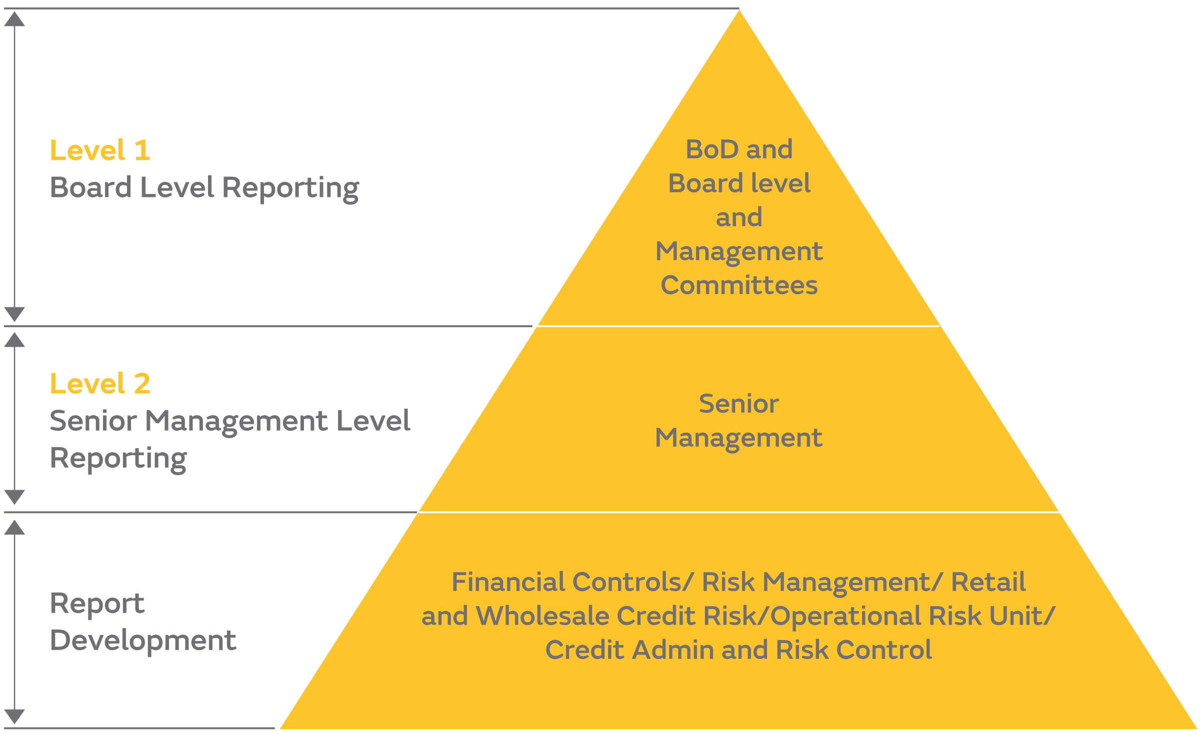
Relevant functions within the Bank produce risk MIS with the support of business or other support units (in terms of providing the necessary data inputs, loss information, results of their risk assessments etc.) for all material risk exposures to enable informed business decision making. In particular, 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 2021

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

3. OV1 - Overview of RWA

		(a)		(c)
		RWA		Minimum capital requirements
	SAR 000's	31 Dec 2021	30 Sep 2021	31 Dec 2021
1	Credit risk (excluding counterparty credit risk)	31,224,921	31,751,894	2,494,994
2	Of which: standardised approach (SA)	31,224,921	31,751,894	2,497,994
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)	219,580	257,624	17,566
7	Of which: standardised approach for counterparty credit risk	219,580	257,624	17,566
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	129,513	121,075	10,361
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	466,786	443,526	37,343
21	Of which: standardised approach (SA)	466,786	443,526	37,343
22	Of which: internal model approaches (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	1,091,745	1,091,744	87,340
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment	0	0	0
27	**Total** (1+6+10+11+12+13+14+15+16+20+23+24+25+26)	33,132,545	33,665,863	2,650,604

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

4. LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 December 2020	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)	5,004,482	5,004,482	5,004,482				
Due from banks and other financial institutions	2,440,895	2,440,895	2,440,895				
Investments held at fair value through statement of income	205,155	205,155					
Investments held at fair value through other comp. inc.	299,644	299,644	299,644				
Investments held at amortised cost	5,361,683	5,362,744	5,362,744			205,155	
Positive fair value of derivative financial instruments	198,332	198,332		198,332			
Loans and advances, net	23,574,920	23,807,595	23,807,595				
Other assets	407,964	407,964	407,964				
Property and equipment, net	60,288	60,288	60,288				
Right-of-use assets	197,931	197,931	197,931				
Intangible assets, net	38,259	0	0				
Total assets	**37,789,553**	**37,985,030**	**37,581,543**	**198,332**		**205,155**	
Liabilities							
Due to banks and other financial institutions	2,326,917						2,326,917
Customers' deposits	27,236,460						27,236,460
Negative fair value of derivative financial instruments	222,676						222,676
Lease liabilities	684,510						684,510
Other liabilities	201,445						186,662
Total liabilities	**30,672,008**						**30,657,225**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

5. LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	31 December 2020	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)	37,985,030	37,581,543		198,332	205,155
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)					
3	Total net amount under regulatory scope of consolidation	37,985,030	37,581,543		198,332	205,155
4	Off-balance sheet amounts	27,434,341	27,181,429		252,912	
5	Differences due to Credit Conversion Factor (CCF)	(19,293,297)	(19,293,297)			
6						
7						
8						
9						
10	**Exposure amounts considered for regulatory purposes**	**46,126,074**	**45,469,675**		**451,244**	**205,155**

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

7. CC1: Composition of regulatory capital

	31 December 2020 SAR 000's	a Amounts	b 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	(407,125)	
3	Accumulated other comprehensive income (and other reserves)	24,670	
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	7,117,545	
	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)	(38,259)	(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	(38,259)	
29	Common Equity Tier 1 capital (CET1)	7,079,286	

Basel 3 Pillar 3 Disclosures
As at 31st December 2021

7. CC1: Composition of regulatory capital (continued)

	31 December 2020	a	b
	SAR 000's	Amounts	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)	7,079,286	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	Directly issued capital instruments subject to phase-out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	Of which: instruments issued by subsidiaries subject to phase-out		
50	Provisions	248,519	
51	**Tier 2 capital before regulatory adjustments**	248,519	
	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)		

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

7. CC1: Composition of regulatory capital (continued)

	31 December 2020	a	b
	SAR 000's	Amounts	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)	248,519	
59	Total regulatory capital (TC = T1 + T2)	7,327,805	
60	Total risk-weighted assets	33,132,545	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	21.4%	
62	Tier 1 (as a percentage of risk-weighted assets)	21.4%	
63	Total capital (as a percentage of risk-weighted assets)	22.1%	
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)	2.6%	
65	Of which: capital conservation buffer requirement	2.5%	
66	Of which: bank-specific countercyclical buffer requirement	0.1%	
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	10.8%	
	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)	248,519	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	414,157	
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)		

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

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 2020	As at 31 Dec 2020	
Assets			
Cash and balances with the Saudi Central Bank (SAMA)	5,004,482	5,004,482	
Due from banks and other financial institutions	2,440,895	2,440,895	
Investments held at fair value through statement of income	205,155	205,155	
Investments held at fair value through other comprehensive income	299,644	299,644	
Investments held at amortised cost	5,361,683	5,362,744	
Positive fair value of derivative financial instruments	198,332	198,332	
Loans and advances, net	23,574,920	23,807,595	
Other assets	407,964	407,964	
Property and equipment, net	60,288	60,288	
Right-of-use assets	197,931	197,931	
Intangible assets, net	38,259	0	
Total assets	**37,789,553**	**37,985,030**	
Liabilities			
Due to banks and other financial institutions	2,326,917	2,326,917	
Customers' deposits	27,236,460	27,236,460	
Negative fair value of derivative financial instruments	222,676	222,676	
Lease liabilities	684,510	684,510	
Other liabilities	201,445	186,662	
Total liabilities	**30,672,008**	**30,657,225**	
Shareholders' equity			
Share capital	7,500,000	7,500,000	
Statutory reserve	1,753	1,753	
Fair value reserve	22,917	22,917	
Retained earnings	(407,125)	(407,125)	
Intangible assets	0	(38,259)	
Tier II Capital	0	248,519	
Total Liabilities & shareholders' equity	**37,789,553**	**37,985,030**	

Basel 3 Pillar 3 Disclosures
As at 31st December 2021

9. CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

		a Quantitative / qualitative information
1	Issuer	Gulf International Bank - Saudi Arabia
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	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
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/group/group and solo	Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	7,500,000
9	Par value of instrument	10
10	Accounting classification	Equity
11	Original date of issuance	3-Apr-19
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step-up or other incentive to redeem	NA
22	Non-cumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Writedown feature	NA
31	If writedown, writedown trigger(s)	NA
32	If writedown, full or partial	NA
33	If writedown, permanent or temporary	NA
34	If temporary write-own, description of writeup mechanism	NA
34a	Type of subordination	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
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

10. 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%	952,750	627,917		
Europe	0.00%	197,661	72,801		
South E. Asia	0.26%	877,469	796,059		
North America	0.00%	358,621	179,238		
Sum		2,386,501	1,676,015		
Total		34,055,401	31,056,424	0.06%	17,771

11. LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

	SAR 000's	a
1	Total consolidated assets as per published financial statements	37,789,553
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	58,085
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)	9,013,574
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	195,477
13	**Leverage ratio exposure measure**	**47,056,689**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

12. LR2 - Leverage ratio common disclosure

		a
	SAR 000's	31 Dec 2020
On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	37,790,203
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**37,790,203**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	133,545
5	Add-on amounts for PFE associated with all derivatives transactions	119,367
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of rows 4 to 10)**	**252,912**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	CCR exposure for SFT assets	
15	Agent transaction exposures	
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**-**
Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	27,181,429
18	(Adjustments for conversion to credit equivalent amounts)	(18,167,855)
19	**Off-balance sheet items (sum of rows 17 to 18)**	**9,013,574**
Capital and total exposures		
20	Tier 1 capital	7,079,286
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**47,056,689**
Leverage ratio		
25	Basel III leverage ratio	15.0%

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

13. 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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

13. 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	3,424,952	-	-	-	1,579,530	5,004,482
Due from Banks and other financial institutions	1,875,165	-	30,045	-	535,685	2,440,895
Investments, net	2,087,690	427,564	854,735	1,991,694	504,799	5,866,482
Positive fair value of derivatives	-	-	-	-	198,332	198,332
Loans and advances, net	17,241,393	4,835,327	1,380,174	118,026	-	23,574,920
Other assets	-	-	-	-	704,442	704,442
Total assets	**24,629,200**	**5,262,891**	**2,264,954**	**2,109,720**	**3,522,788**	**37,789,553**
Liabilities						
Due to banks and other financial institutions	1,776,469	-	-	-	550,448	2,326,917
Customer deposits	10,612,576	2,364,690	576,145	-	13,683,049	27,236,460
Negative fair value of derivatives	-	-	-	-	222,676	222,676
Lease liabilities	10,649	12,704	53,326	124,766	-	201,445
Other liabilities	-	-	-	-	684,510	684,510
Equity	-	-	-	-	7,117,545	7,117,545
Total Liabilities and equity	**12,399,694**	**2,377,394**	**629,471**	**124,766**	**22,258,228**	**37,789,553**
On Balance sheet Gap	**12,229,506**	**2,885,497**	**1,635,483**	**1,984,954**	**(18,735,440)**	**-**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

13. LIQA - Liquidity Risk Management: (continued)

Off Balance

SAR 000s	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Letters of credit	1,318,927	773,950	10,491	-	2,103,368
Letters of guarantee	1,625,978	5,763,731	2,185,202	109,583	9,684,494
Acceptances	420,410	180,915	126,232	-	727,557
Irrevocable commitments to extend credit	-	700,257	708,647	2,002,621	3,411,525
Total	**3,365,315**	**7,418,853**	**3,030,572**	**2,112,204**	**15,926,944**

g) Concentration limits on collateral pools and sources of funding (both products and counterparties.

Sources of Funding Distribution	
Deposits from banks	7.6%
Deposits from customers	88.8%
Other liabilities	3.6%

14. LIQ1 – Liquidity Coverage Ratio (LCR)

SAR 000s	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets		
Total high-quality liquid assets (HQLA)		9,820,744
Cash Outflows		
Retail deposits and deposits from small business customers, of which:		
Less stable deposits	1,121,924	112,192
Unsecured wholesale funding, of which:		
Non-operational deposits	17,231,626	7,716,969
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	1,703	1,703
Credit and liquidity facilities	6,643,984	388,517
Other contractual funding obligations		
Other contingent funding obligations	12,577,260	251,545
Total Cash Outflows		8,470,927
Cash Inflows		
Inflows from fully performing exposures	3,474,559	2,942,482
Other cash inflows	180,585	6,649.67
Total Cash Inflows	**2,303,759**	**2,949,131**
Total HQLA		**9,820,744**
Total Net Cash Outflows		**5,521,796**
Liquidity Coverage Ratio (%)		**177.9%**

- Saudi Central Bank requires banks to maintain minimum LCR of 100%. The Bank's LCR stands at 178% as at December 31, 2021
- 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 60% of outflows; sovereigns, central banks, PSEs and MDBs at 15%, bank deposits at 16% and retail deposits at 1%
- 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

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

15. 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	-	-	7,327,805	7,327,805
Retail: Less stable deposits	2,748,464	-	-	2,473,618
Wholesale funding (non-operational deposit)	20,252,860	-	-	10,126,430
Unsecured funding from central banks	-	-	2,166,767	1,083,383
Unsecured funding from sovereigns/PSEs/MDBs/ NDBs/Others	5,341,342	-	-	1,871,940
Total ASF	**-**	**-**	**-**	**22,883,177**
Required stable funding (RSF)				
Coins and banknotes	19	-	-	-
Total central bank reserves	6,902,473	-	-	-
Unsecured loans to financial institutions	2,498,308	-	-	374,746
Securities eligible as Level 1 HQLA	-	150,000	2,421,954	128,598
Securities eligible for Level 2B HQLA	-	-	653,935	326,968
Unencumbered loans to non-financial corporate clients with a residual maturity of less than one year	11,066,988	1,654,841	-	6,360,915
Unencumbered loans to retail and small business customers with a residual maturity of less than one year	97,448	98,404	-	97,926
Unencumbered performing loans with risk weights greater than 35% under the Basel II standardised approach for credit risk	-	-	8,130,057	6,910,549
Unencumbered Non-HQLA exchange traded equities	-	-	-	-
Unencumbered Non-HQLA securities not in default	-	-	515,120	437,852
Other short-term unsecured instruments and transactions with a residual maturity of less than one year	1,926,853	-	-	963,427
Defaulted securities and non-performing loans	271,879	-	-	301,319
Derivatives assets	-	-	66,400	66,400
NSFR derivative assets (derivative assets less cash collateral received as variation margin on derivative assets)	-	-	66,400	66,400
Required stable funding associated with derivative liabilities	-	-	138,075	27,615
All other assets not included in above categories that qualify for 100% treatment	934,167	-	-	934,167
Off-balance sheet items	2,002,589	-	-	135,141
Total RSF				**17,065,622**
Net Stable Funding Ratio				**134.1%**

- As at December 31, 2021 the Bank held a balance of 32% of its Available Stable Funding (ASF) in form of capital, with a 100% ASF factor. The majority of the remaining balance of ASF was 44% in wholesale funding with 50% ASF factor and 11% in retail deposits with 90% ASF factor
- The Required Stable Funds (RSF) as at December 31, 2021 primarily consisted of performing loans and securities contributing 87% of the RSF, with various RSF factors. The remaining RSF are attributable to HQLA, other assets and off-balance sheet items

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

16. 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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

16. CRA - General qualitative information about credit risk (continued)

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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

16. CRA - General qualitative information about credit risk (continued)

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.

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.

CONTENTS

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

17. CR1 - Credit quality of assets

		a	b	c	d
		Gross carrying values of			
	SAR 000's	Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net values (a+b-c)
01	Loans	578,072	23,553,635	324,112	23,807,595
02	Debt Securities		5,362,846		5,362,846
03	Off-balance sheet exposures		27,434,341		27,434,341
04	**Total**	**578,072**	**56,350,822**	**324,112**	**56,604,782**

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).

18. 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**	**847,728**
2	Loans and debt securities that have defaulted since the last reporting period	77,456
3	Returned to non-defaulted status	(183,962)
4	Amounts written off	(163,150)
5	Other changes	-
6	**Defaulted loans and debt securities at end of the reporting period**	**578,072**

19. 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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

19. CRB – Additional disclosure related to the credit quality of assets (continued)

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.

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	9,453,103			18,778			**9,471,881**
02	Non-central government public sector entities	10,279						**10,279**
03	Banks	1,797,426	2,450,605	2,231,930	548,315	1,388,033	75,111	**8,491,420**
04	Corporates	42,361,286	8,382	0	1,964,136			**44,333,804**
05	Regulatory retail portfolios	768,377						**768,377**
06	Secured by residential property	290,965						**290,965**
07	Equity	299,644						**299,644**
08	Past-due loans	253,961						**253,961**
09	Other assets	1,293,885						**1,293,885**
10	**Total**	**56,528,926**	**2,458,987**	**2,231,930**	**2,531,229**	**1,388,033**	**75,111**	**65,214,216**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

19. 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				18,778	9,453,103								**9,471,881**
2	Non-central government public sector entities					10,279								**10,279**
3	Banks				8,491,420									**8,491,420**
4	Corporates	1,114,686	558,863	9,138,301	6,758,486		5,520,268	4,988,124	3,712,300	2,077,449	530,788	6,737,968	3,196,571	**44,333,804**
5	Regulatory retail portfolios												768,377	**768,377**
6	Secured by residential property												290,965	**290,965**
7	Equity				6,098									**299,644**
8	Past-due loans			36,747			31,502		36,136	100,193		49,383	0	**253,961**
9	Other assets				30,487								1,263,398	**1,293,885**
	Total	**1,114,686**	**558,863**	**9,175,048**	**15,305,269**	**9,463,382**	**5,551,770**	**5,281,670**	**3,748,436**	**2,177,642**	**530,788**	**6,787,351**	**5,519,311**	**65,214,216**

	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	1,114,686			1,114,686		**1,114,686**
2	Communication	558,863			558,863		**558,863**
3	Construction	9,113,625	24,676	74,252	9,212,553	37,505	**9,175,048**
4	Finances	15,305,269			15,305,269		**15,305,269**
5	Government	9,463,382			9,463,382		**9,463,382**
6	Manufacturing	5,504,044	16,224	60,610	5,580,878	29,108	**5,551,770**
7	Mining	5,256,976	24,694		5,281,670		**5,281,670**
8	Services	3,711,565	735	36,136	3,748,436		**3,748,436**
9	Transportation	2,056,903	20,546	283,214	2,360,664	183,022	**2,177,642**
10	Utilities	526,961	3,827		530,788		**530,788**
11	Wholesale Trade	6,696,897	40,797	122,173	6,859,867	72,516	**6,787,351**
12	Others	5,519,585		1,687	5,521,272	1,961	**5,519,311**
	Total	**64,828,756**	**131,499**	**578,072**	**65,538,328**	**324,112**	**65,214,216**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

19. 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	7,070,755	760,704	1,640,422	**9,471,881**
02	Non-central government public sector entities	7,912	2,367		**10,279**
03	Banks	8,031,104	446,680	13,636	**8,491,420**
04	Corporates	31,241,801	10,364,717	2,727,286	**44,333,804**
05	Regulatory retail portfolios	43,619	704,450	20,308	**768,377**
06	Secured by residential property		3,265	287,700	**290,965**
07	Equity			299,644	**299,644**
08	Past-due loans	243,079	6,106	4,776	**253,961**
09	Other assets	1,236,416	57,469		**1,293,885**
	Total	**47,874,686**	**12,345,758**	**4,993,772**	**65,214,216**

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			54,486	285,774	237,812	**578,072**
2	Debt Securities						
3	Off-balance sheet exposures						
	Total			**54,486**	**285,774**	**237,812**	**578,072**

20. 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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

20. 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

21. CR3 - Credit risk mitigation techniques – overview

SAR 000's		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
01	Loans	22,230,396	1,577,199	1,090,271	69,005	67,180		
02	Debt Securities	5,362,846						
03	**Total**	**27,593,242**	**1,577,199**	**1,090,271**	**69,005**	**67,180**		
04	Of which defaulted	253,961						

CONTENTS

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

22. 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

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

23. CR4 - Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

		a	b	c	d	e	f
	SAR 000's	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	9,453,103	18,778	9,463,151		0	0%
02	Non-central government public sector entities	7,912	2,367	7,912	2,367	5,140	50%
03	Banks	2,698,150	5,793,270	2,755,283	2,044,644	1,735,091	36%
04	Corporates	22,720,095	21,613,709	22,652,914	6,091,024	27,732,512	96%
05	Regulatory retail portfolios	768,377		768,377		768,377	100%
06	Secured by residential property	290,965		290,965		145,483	50%
07	Equity	299,644		299,644		299,644	100%
08	Past-due loans	253,961		253,961		284,478	112%
09	Other assets	1,287,668	6,217	1,287,668	3,009	473,777	37%
	Total	**37,779,875**	**27,434,341**	**37,779,875**	**8,141,044**	**31,444,502**	**68%**

24. CR5 - Standardised approach – exposures by asset classes and risk weights

	SAR 000's									
		a	b	c	d	e	f	g	h	j
	Asset classes/ Risk weight*	0%	10%	20%	35%	50%	85%	100%	150%	Total credit exposures amount (post CCF and post-CRM)
01	Sovereigns and their central banks	9,463,151								9,463,151
02	Non-central government public sector entities					10,279				10,279
03	Banks			2,715,850		1,784,311		299,766		4,799,927
04	Corporates	487,055		14,935		384,778	2,117,229	25,739,941		28,743,938
05	Regulatory retail portfolios							768,377		768,377
06	Secured by residential property					290,965				290,965
07	Equity							299,644		299,644
08	Past-due loans							192,927	61,034	253,961
09	Other assets	819,350						471,327		1,290,677
	Total	**10,769,556**		**2,730,785**		**2,470,333**	**2,117,229**	**27,771,982**	**61,034**	**45,920,919**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

25. 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.

26. 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)	95,389	85,262		1.4	252,912	219,580
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**						**219,580**

27. CCR2 - Credit valuation adjustment (CVA) capital charge

		a	b
	SAR 000's	EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	252,913	129,513
4	Total subject to the CVA capital charge	252,913	129,513

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

28. 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%	10%	20%	50%	85%	100%	150%	Others	Total credit exposures
Non-central government public sector entities				2,367					2.367
Banks			7,967	48,287					56,254
Corporates					10,878	183,413			194,291
Total	**0**	**0**	**7,967**	**50,654**	**10,878**	**183,413**			**252,912**

29. CCR8 - Exposures to central counterparties

	SAR 000's	a EAD (post-CRM)	b 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)**	252,912	219,580
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	252,912	219,580
13	(i) OTC derivatives	252,912	219,580
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		

30. 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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

30. MRA - Qualitative disclosure requirements related to market risk (continued)

a) Strategies and processes of the Bank (continued)

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;

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.

31. MR1 - Market risk under standardised approach

		a
	SAR 000's	Capital charge in SA
1	General interest rate risk	
2	Equity risk	32,825
3	Foreign exchange risk	4,518
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	
9	Default risk – securitisations (non-correlation trading portfolio)	
10	Default risk – securitisations (correlation trading portfolio)	
11	Residual risk add-on	
12	**Total**	**37,343**

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

32. 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.

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 earningss

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 75% of this minimum level of balances on a conservative basis. The Bank also observes the portion which has remained with the Bank for over a six-month period and applies a three-month tenor on this portion on a conservative basis. 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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

32. IRRBBA - IRRBB risk management objectives and policies (continued)

- **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.

33. IRRBB1 - Quantitative information on IRRBB

Segment	Average Maturity
Retail NMDs	1.35 Years
Corporate NMDs	0.56 Years
Average	**0.22 Years**

The slotting of NMDs has been done till the repricing bucket of 2 Years

SAR 000s	ΔEVE	ΔNII
Parallel shock up: 200 bps increase in interest rates	(180,350)	94,794
Parallel shock down: 200 bps decrease in interest rates	215,631	(94,794)
Steeper shock: short term interest rates down and longer term up	(88,164)	0
Flatter shock: short-term interest rates up and long-term down	48,304	0
Short-term interest rates shock up	(36,938)	0
Short-term interest rates shock down	37,871	0
Maximum	(180,350)	(94,794)
Total Capital	7,079,286	
EVE%	**-2.5%**	

34. REMA - Remuneration policy

NOMINATION & 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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

34. REMA - Remuneration policy (continued)

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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

34. REMA - Remuneration policy (continued)

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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

34. REMA - Remuneration policy (continued)

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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

34. REMA - Remuneration policy (continued)

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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

34. REMA - Remuneration policy (continued)

Risk adjustments (continued)

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

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

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

34. REMA - Remuneration policy (continued)

Risk adjustments (continued)

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.

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.

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

35. 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	15	130
2		Total fixed remuneration (3 + 5 + 7)	**14,543**	**45,746**
3		Of which: cash-based	14,543	45,746
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	15	130
10		Total variable remuneration (11 + 13 + 15)	**3,248**	**7,243**
11		Of which: cash-based	3,248	7,243
12		Of which: deferred	1,405	724
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)**	**17,791**	**52,989**

36. 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			3	1,250		
Other material risk-takers			1	382		

Basel 3 Pillar 3 Disclosures

As at 31st December 2021

37. 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	2,968	2,968			1,471
Shares					
Cash-linked instruments					
Other					
Other material risk-takers					
Cash	1,543	1,543			926
Shares					
Cash-linked instruments					
Other					
Total	**4,511**	**4,511**			**2,937**

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

Jeddah
Private Offices Building
Prince Sultan Road
P.O. Box 40530, Jeddah 21511

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 20 7259 3149
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

4th Floor, Low Rise Building (B1)
Granada Business & Residential Park
Eastern Ring Road
P.O. Box 89589
Riyadh 11692
Kingdom of Saudi Arabia

Telephone: +966 11 834 8400

GULF INTERNATIONAL BANK (UK) LIMITED

One Curzon Street
London W1J 5HD
United Kingdom

Telephone: +44 (0) 20 7259 3149
S.W.I.F.T: SINTGB2L

gulfintlbank
GulfIntlBank
gulfintlbank
GulfIntlBank