

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 MARCH 2023 (Unaudited)





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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf International Bank – Saudi Arabia and its subsidiaries (collectively referred to as “the Group”) as at 31 March 2023, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended, and other explanatory notes (collectively referred to as “the interim condensed consolidated financial statements”). Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with the International Accounting Standard 34: *Interim Financial Reporting* (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Other regulatory matters

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

Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License no. 422



Ernst & Young Professional Services (Professional LLC)
Paid-up capital SR 5,500,000
Registration No. 45/11/323
C.R. No. 2051058792

KPMG Professional Services

Tareq Abdulrahman Al Sunaid
Certified Public Accountant
License no. 419



KPMG Professional Services
(Professional Closed Joint Stock Company)
Paid-up capital SR 40,000,000
C.R. No. 2051062328

9 Dhul Qadah 1444H
(29 May 2023)

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

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**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT**

	Note	31.03.23 (Unaudited) SAR '000	31.12.22 (Audited) SAR '000	31.03.22 (Unaudited) SAR '000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	4	8,987,493	5,150,826	4,723,863
Due from banks and other financial institutions	5	3,675,943	4,534,002	3,386,531
Investments held at:				
Fair value through statement of income (FVSI)	6	210,130	203,003	249,163
Fair value through other comprehensive income (FVOCI)	6	298,215	296,412	359,501
Amortised cost (AC), net	6	7,671,753	6,292,987	5,022,783
Positive fair value of derivatives	10	365,485	417,480	205,386
Loans and advances, net	7	24,112,564	24,790,737	20,138,340
Other assets		339,324	456,165	444,029
Furniture, fixtures and equipment, net		50,966	51,541	59,117
Right-of-use assets, net		184,327	184,629	192,140
Intangible assets		58,702	49,287	40,524
Total assets		45,954,902	42,427,069	34,821,377
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions	8	5,839,846	4,188,042	1,216,360
Customers' deposits	9	31,200,518	29,595,010	25,174,354
Negative fair value of derivatives	10	284,217	331,559	184,843
Other liabilities		1,134,816	886,948	802,940
Lease liabilities		195,555	193,740	204,086
Total liabilities		38,654,952	35,195,299	27,582,583
Equity				
Share capital	14	7,500,000	7,500,000	7,500,000
Statutory reserve		1,753	1,753	1,753
Fair value reserve		17,966	16,163	82,773
Accumulated losses		(219,769)	(286,146)	(345,732)
Total equity		7,289,950	7,231,770	7,238,794
Total liabilities and equity		45,954,902	42,427,069	34,821,377

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


Abdulla Mohammed Al-Zamil
Chairman


Abdulaziz A. Al-Helaissi
Chief Executive Officer


Waleed AlKethien
Acting Chief Financial Officer



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Note	Three-month periods ended	
		31.03.23	31.03.22
		(Unaudited)	
		SAR '000	SAR '000
Special commission income		596,169	184,437
Special commission expense		(381,180)	(52,799)
Net special commission income		214,989	131,638
Fee and commission income		57,269	64,201
Fee and commission expense		(4,260)	(3,280)
Net fee and commission income		53,009	60,921
Exchange income, net		22,616	11,059
Gains on FVSI investments, net		8,715	43,711
Gains on other financial instruments, net		868	4,384
Dividend income		3,000	2,885
Other operating income		3,880	1,503
Total operating income		307,077	256,101
Salaries and employee related expenses		(121,539)	(95,632)
Rent and premises related expenses		(2,345)	(1,985)
Depreciation and amortisation		(14,752)	(13,636)
Other general and administrative expenses		(61,397)	(50,506)
Operating expenses before credit impairment provisions		(200,033)	(161,759)
Expected credit losses on:			
Loans and advances	7	(23,955)	(18,467)
Financial contingencies and commitments	11	(634)	(955)
Investments	6	(333)	(539)
Total expected credit losses		(24,922)	(19,961)
Total operating expenses		(224,955)	(181,720)
Income for the period before zakat		82,122	74,381
Zakat charge		(15,745)	(12,988)
Net income for the period		66,377	61,393
Earnings per share (expressed in SAR per share)			
Basic and diluted earnings per share	14	<u>0.09</u>	<u>0.08</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023

	Three-month periods ended	
	31.03.23	31.03.22
	(Unaudited)	
	SAR '000	SAR '000
Net income for the period	66,377	61,393
Other comprehensive income:		
<i>Items that will not be reclassified to the statement of income in subsequent periods:</i>		
- Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVOCI)	1,803	59,856
Other comprehensive income for the period	1,803	59,856
Total comprehensive income for the period	68,180	121,249

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

<u>For the three-month period ended 31 March 2023 (Unaudited)</u>	Share capital SAR '000	Statutory reserve SAR '000	Fair value reserve SAR '000	Accumulated losses SAR '000	Total SAR '000
Balance at 1 January 2023	7,500,000	1,753	16,163	(286,146)	7,231,770
Net income for the period	-	-	-	66,377	66,377
Other comprehensive income for the period	-	-	1,803	-	1,803
Total comprehensive income for the period	-	-	1,803	66,377	68,180
Balance at 31 March 2023	7,500,000	1,753	17,966	(219,769)	7,299,950

<u>For the year ended 31 December 2022 (Audited)</u>	Share capital SAR '000	Statutory reserve SAR '000	Fair value reserve SAR '000	Accumulated losses SAR '000	Total SAR '000
Balance at 1 January 2022	7,500,000	1,753	22,917	(407,125)	7,117,545
Net income for the year	-	-	-	131,012	131,012
Other comprehensive income for the year	-	-	(6,754)	(10,033)	(16,787)
Total comprehensive income for the year	-	-	(6,754)	120,979	114,225
Balance at 31 December 2022	7,500,000	1,753	16,163	(286,146)	7,231,770

<u>For the three-month period ended 31 March 2022 (Unaudited)</u>	Share capital SAR '000	Statutory reserve SAR '000	Fair value reserve SAR '000	Accumulated losses SAR '000	Total SAR '000
Balance at 1 January 2022	7,500,000	1,753	22,917	(407,125)	7,117,545
Net income for the period	-	-	-	61,393	61,393
Other comprehensive income for the period	-	-	59,856	-	59,856
Total comprehensive income for the period	-	-	59,856	61,393	121,249
Balance at 31 March 2022	7,500,000	1,753	82,773	(345,732)	7,238,794

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023**

	Note	2023 (Unaudited) SAR '000	2022 (Unaudited) SAR '000
OPERATING ACTIVITIES			
Net income before zakat for the period		82,122	74,381
Adjustments to reconcile income before zakat to net cash flow generated from operating activities:			
Depreciation and amortisation		9,539	7,845
Depreciation of right-of-use assets		5,213	5,791
Expected credit losses on investments		333	539
Expected credit losses on loans and advances		23,955	18,467
Expected credit losses on financial contingencies and commitments		634	955
Gains on FVSI investments		(8,715)	(43,711)
Gains on other financial instruments, net		(868)	(4,384)
Interest expense on lease liabilities		11,031	2,641
		<u>123,244</u>	<u>62,524</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(240,941)	22,543
Positive fair value of derivatives		52,863	(6,769)
Loans and advances		654,218	3,417,158
Other assets		116,841	(36,065)
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		1,651,804	(1,110,557)
Negative fair value of derivatives		(47,342)	(37,833)
Customers' deposits		1,605,508	(2,062,106)
Other liabilities		218,280	118,430
Net cash generated from operating activities		<u>4,134,475</u>	<u>367,325</u>
INVESTING ACTIVITIES			
Purchase of investments, net		(1,729,099)	(1,056,233)
Maturity/proceeds from sale of investments		351,588	1,385,407
Purchase of furniture, fixtures, equipment and intangible assets		(18,380)	(8,939)
Net cash (used in) / generated from investing activities		<u>(1,395,891)</u>	<u>320,235</u>
FINANCING ACTIVITY			
Lease liabilities paid		(917)	-
Net cash used in financing activity		<u>(917)</u>	<u>-</u>
Net increase in cash and cash equivalents		<u>2,737,667</u>	<u>687,560</u>
Cash and cash equivalents at the beginning of the period		<u>8,110,176</u>	<u>5,857,811</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	<u><u>10,847,843</u></u>	<u><u>6,545,371</u></u>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(AMOUNTS IN SAR '000)**

1. INCORPORATION AND REGISTRATION

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

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

Gulf International Bank - Saudi Arabia
5515 Cooperative Council Road
Al Khuzama Area, unit No: 54, Al Khobar
Kingdom of Saudi Arabia

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

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

Name of subsidiary	Ownership interest % held by the owners of the Bank		
	31.03.23	31.12.22	Country of incorporation
GIB Capital Company (a)	100	100	Kingdom of Saudi Arabia
Dar Enjaz Gulf Real Estate Company (b)	100	100	Kingdom of Saudi Arabia
GIB KSA Markets Limited (c)	100	100	Cayman Islands

- a. GIB Capital Company - a limited liability company incorporated in Kingdom of Saudi Arabia under commercial registration no. 1010244294 provides financial advisory services in connection with equity placements, mergers, disposals and acquisitions, privatisations, debt capital market products and services, strategic debt advisory and asset management. GIB Capital's clients include institutional investors and high net worth ("HNW") individuals.
- b. Incorporated in the Kingdom of Saudi Arabia under commercial registration no.1010326338, issued in Riyadh. The Subsidiary was formed with the approval of SAMA for the purpose of dealing, managing and holding real estate on behalf of the Bank.
- c. A limited liability company incorporated in the Cayman Islands. The Company is engaged in derivatives trading and repo activities.

Funds managed by the Group

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(AMOUNTS IN SAR '000)**

2. BASIS OF PREPARATION

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

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

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

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

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

New standards, interpretations and amendments adopted by the Group

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

Standards, interpretations, amendments

	Description	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	Annual periods beginning on or after 1 January 2023
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023
IFRS 17, 'Insurance contracts', as amended in December 2021	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	Annual periods beginning on or after 1 January 2023

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(AMOUNTS IN SAR '000)

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

Accounting standards issued but not yet effective

Standards, interpretations,
amendments

	Description	Effective date
Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	<p>These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.</p> <p>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.</p> <p>Note that the IASB has issued a new exposure draft proposing changes to this amendment.</p>	Deferred until accounting periods starting not earlier than 1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Ventures	Available for optional adoption/effective date deferred indefinitely
Amendment to IFRS 16, Lease Liability in a Sale and Leaseback	Lease Liability in a Sale and Leaseback amends IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.	1 January 2024
Amendments to IAS 1, Non-current Liabilities with Covenants	Non-current Liabilities with Covenants amends IAS 1 Presentation of Financial Statements. The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments also respond to stakeholders' concerns about the classification of such a liability as current or non-current.	1 January 2024

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(AMOUNTS IN SAR '000)**

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Money market placements with SAMA (note 4.1)	7,182,002	3,587,000	3,158,869
Statutory deposits (note 4.2)	1,785,493	1,544,552	1,534,978
Cash in hand	14,660	15,784	27,213
Current account	5,338	3,490	2,803
	<u>8,987,493</u>	<u>5,150,826</u>	<u>4,723,863</u>

4.1 Money market placements with SAMA represents overnight reverse repo placement with SAMA have matured on 2 April 2023 (31 December 2022: 1 January 2023 and 31 March 2023: 3 April 2022).

4.2 In accordance with the Banking Control Law and regulations issued by SAMA, the Bank is required to maintain a statutory deposit with SAMA at stipulated percentages of its customer demand, savings, time and other deposits, calculated at the end of each month. The statutory deposits with SAMA are not available to finance the Bank's day-to-day operations and therefore are not part of cash and cash equivalents (note 12), when preparing the interim condensed consolidated statement of cash flows.

5. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Current accounts	1,169,113	1,422,571	558,421
Money market placements	2,506,830	3,111,431	2,828,110
	<u>3,675,943</u>	<u>4,534,002</u>	<u>3,386,531</u>

The credit quality of due from banks and other financial institutions is assessed using external credit rating agencies. The above due from banks and other financial institutions balances are neither past due nor impaired. Due from banks and other financial institutions only includes on demand balances and short-term placements with investment grade banks and impact of expected credit losses is considered to be immaterial.

6. INVESTMENTS

a) Investment securities are classified as follows:

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Investments held at amortised cost - gross (6g)	7,673,321	6,294,222	5,024,383
Less: expected credit losses (6h)	(1,568)	(1,235)	(1,600)
Investments held at amortised cost - net (6d)	7,671,753	6,292,987	5,022,783
Investments held at FVSI (6e)	210,130	203,003	249,163
Investments held FVOCI (6f)	298,215	296,412	359,501
	<u>8,180,098</u>	<u>6,792,402</u>	<u>5,631,447</u>

b) Investment securities include Shariah based investments as follows:

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Investments held at amortised cost	614,649	605,253	3,347,435
Investments held at fair value through statement of income	94,039	89,017	109,866
	<u>708,688</u>	<u>694,270</u>	<u>3,457,301</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2023
(AMOUNTS IN SAR '000)

6. INVESTMENTS (continued)

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Government and quasi government	6,865,386	5,485,459	4,044,366
Corporate	649,880	925,709	1,334,004
Banks and other financial institutions	666,400	382,469	254,677
Less: expected credit losses	(1,568)	(1,235)	(1,600)
	<u>8,180,098</u>	<u>6,792,402</u>	<u>5,631,447</u>

d) Investments held at amortised cost (AC)

<u>31 March 2023 (Unaudited)</u>	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	7,243,591	15,205	7,258,796
Debt securities - floating-rate securities	338,031	76,494	414,525
Less: expected credit losses	(1,239)	(329)	(1,568)
	<u>7,580,383</u>	<u>91,370</u>	<u>7,671,753</u>

<u>31 December 2022 (Audited)</u>	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	5,868,887	15,071	5,883,958
Debt securities - floating-rate securities	335,014	75,250	410,264
Less: expected credit losses	(1,162)	(73)	(1,235)
	<u>6,202,739</u>	<u>90,248</u>	<u>6,292,987</u>

<u>31 March 2022 (Unaudited)</u>	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	4,302,213	65,589	4,367,802
Debt securities - floating-rate securities	581,152	75,429	656,581
Less: expected credit losses	(958)	(642)	(1,600)
	<u>4,882,407</u>	<u>140,376</u>	<u>5,022,783</u>

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Mutual funds	187,599	179,515	219,014
Equity investments	22,531	23,488	30,149
	<u>210,130</u>	<u>203,003</u>	<u>249,163</u>

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Equity investments	298,215	296,412	359,501

The FVOCI designation was made on the basis that the investments are expected to be held for the long-term for strategic purposes. There were no disposals of investments during the year. The Following table shows the reconciliation from opening balances to the closing balances for level 3 fair value of FVOCI investments:

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Balance at period / year beginning	6,883	6,098	6,098
Further investments made	-	3,750	-
Net change in fair value	-	(2,965)	-
Balance at period/year end	<u>6,883</u>	<u>6,883</u>	<u>6,098</u>

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6. INVESTMENTS (continued)

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

31 March 2023 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2023	6,294,222	6,294,222
Net change	1,379,099	1,379,099
Balance at 31 March 2023	<u>7,673,321</u>	<u>7,673,321</u>

31 December 2022 (Audited)

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

31 March 2022 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2022	5,362,744	5,362,744
Net change	(338,361)	(338,361)
Balance at 31 March 2022	<u>5,024,383</u>	<u>5,024,383</u>

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

31 March 2023 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2023	1,235	1,235
Net remeasurement of loss allowance	333	333
Balance at 31 March 2023	<u>1,568</u>	<u>1,568</u>

31 December 2022 (Audited)

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

31 March 2022 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2022	1,061	1,061
Net remeasurement of loss allowance	539	539
Balance at 31 March 2022	<u>1,600</u>	<u>1,600</u>

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7. LOANS AND ADVANCES

a) Loans and advances are classified as follows:

31 March 2023 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	21,922,065	842,834	1,321,281	24,086,180
Non-performing loans and advances	569,028	-	10,079	579,107
Loans and advances, gross	22,491,093	842,834	1,331,360	24,665,287
Less: expected credit losses	(523,948)	(727)	(28,048)	(552,723)
Loans and advances, net	21,967,145	842,107	1,303,312	24,112,564
31 December 2022 (Audited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	21,632,155	1,837,919	1,329,765	24,799,839
Non-performing loans and advances	623,290	-	8,210	631,500
Loans and advances, gross	22,255,445	1,837,919	1,337,975	25,431,339
Less: expected credit losses	(612,668)	(1,059)	(26,875)	(640,602)
Loans and advances, net	21,642,777	1,836,860	1,311,100	24,790,737
31 March 2022 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	18,698,848	326,552	1,093,338	20,118,738
Non-performing loans and advances	590,591	-	3,072	593,663
Loans and advances, gross	19,289,439	326,552	1,096,410	20,712,401
Less: expected credit losses	(552,489)	(247)	(21,325)	(574,061)
Loans and advances, net	18,736,950	326,305	1,075,085	20,138,340

Total loans and advances include Shariah based loans and advances amounting to SAR 14.71 billion (31 December 2022: SAR 15.85 billion; 31 March 2022: SAR 14.3 billion).

b) Reconciliation of gross carrying amounts:

31 March 2023 (Unaudited)	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2023	23,858,497	941,342	631,500	25,431,339
<i>Transfers during the period</i>				
Transfer to Stage 1	331	(331)	-	-
Transfer to Stage 2	(217,360)	217,360	-	-
Transfer to Stage 3		(45,264)	45,264	-
	(217,029)	171,765	45,264	-
Written-off during the period	-	-	(111,834)	(111,834)
Net change during the period	(780,427)	112,032	14,177	(654,218)
Balance at 31 March 2023	22,861,041	1,225,139	579,107	24,665,287

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7. LOANS AND ADVANCES (continued)

b) Reconciliation of gross carrying amounts: (continued)

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

31 March 2022 (Unaudited)	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	22,349,026	1,204,609	578,072	24,131,707
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(137)	137	-	-
Transfer to Stage 3	-	(14,237)	14,237	-
	(137)	(14,100)	14,237	-
Written-off during the period	-	-	(1,193)	(1,193)
Net change during the period	(3,465,817)	45,157	2,547	(3,418,113)
Balance at 31 March 2022	18,883,072	1,235,666	593,663	20,712,401

c) Reconciliation of expected credit losses:

31 March 2023 (Unaudited)	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2023	76,354	148,430	415,818	640,602
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(45)	45	-	-
Transfer to Stage 3	-	(29,817)	29,817	-
	(45)	(29,772)	29,817	-
<i>Charge/(reversal) during the period</i>				
Corporate	(2,925)	655	20,821	18,551
Retail	(1,250)	303	6,351	5,404
	(4,175)	958	27,172	23,955
<i>Written-off during the period</i>				
Corporate	-	-	(107,530)	(107,530)
Retail	-	-	(4,304)	(4,304)
	-	-	(111,834)	(111,834)
Balance at 31 March 2023	72,134	119,616	360,973	552,723

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7. LOANS AND ADVANCES (continued)

c) Reconciliation of expected credit losses: (continued)

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

31 March 2022 (Unaudited)	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL for increase in SICR but not impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2022	61,364	171,311	324,112	556,787
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(9)	9	-	-
Transfer to Stage 3	-	(3,212)	3,212	-
	(9)	(3,203)	3,212	-
<i>Charge/(reversal) during the period</i>				
Corporate	(965)	5,153	13,304	17,492
Retail	(258)	641	592	975
	(1,223)	5,794	13,896	18,467
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(1,193)	(1,193)
	-	-	(1,193)	(1,193)
Balance at 31 March 2022	<u>60,132</u>	<u>173,902</u>	<u>340,027</u>	<u>574,061</u>

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Corporate	<u>18,551</u>	76,789	17,492
Retail	<u>5,404</u>	15,707	975
Total	<u>23,955</u>	92,496	18,467

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8. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Current accounts	79,581	68,732	23,708
Money market deposits (note 8.1)	5,760,265	4,119,310	1,192,652
	<u>5,839,846</u>	<u>4,188,042</u>	<u>1,216,360</u>

8.1 Money market deposits include profit free deposits of SAR 532 million ((31 December 2022: SAR 532 million ; 31 March 2022: SAR 532 million) from SAMA with tenures ranging from 1 to 4.75 years in order to offset the modification losses incurred in deferring the payments.

9. CUSTOMERS' DEPOSITS

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Demand	18,588,795	15,001,961	12,816,754
Time	12,088,971	13,346,902	11,341,567
Saving	265,688	323,649	475,408
Margin	257,064	922,498	540,625
	<u>31,200,518</u>	<u>29,595,010</u>	<u>25,174,354</u>

Time deposits include deposits taken under non-interest-based contracts (Shariah based deposits) amounting to SAR 8.7 billion (31 December 2022: SAR 10.4 billion; 31 March 2022: SAR 9.5 billion).

10. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS

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

<u>31 March 2023 (Unaudited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	143,036	(139,776)	10,019,318
Commission rate futures and currency options	133,017	(133,017)	7,993,461
Forward foreign exchange contracts	2,564	(923)	100,526
Others	9,651	(9,146)	1,458,513
<u>Held as fair value hedge</u>			
Commission rate swaps - loans and investments	71,465	(86)	1,312,682
Commission rate swaps - deposits	5,752	(1,269)	1,525,737
	<u>365,485</u>	<u>(284,217)</u>	<u>22,410,237</u>

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10. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS (continued)

<u>31 December 2022 (Audited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	177,232	(172,954)	10,145,434
Commission rate futures and currency options	136,765	(136,851)	7,635,631
Forward foreign exchange contracts	16,202	(15,393)	629,019
Others	4,037	(3,835)	329,413
<u>Held as fair value hedge</u>			
Commission rate swaps - loans and investments	76,582	(87)	1,294,886
Commission rate swaps - deposits	6,662	(2,439)	999,586
	<u>417,480</u>	<u>(331,559)</u>	<u>21,033,969</u>
<u>31 March 2022 (Unaudited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	106,766	(106,389)	10,682,662
Commission rate futures and options	73,033	(69,796)	5,255,815
Forward foreign exchange contracts	2,812	(3,081)	2,658,631
<u>Held as fair value hedge</u>			
Commission rate swaps - loans and investments	22,775	(2,873)	1,162,334
Commission rate swaps - deposits	-	(2,704)	430,000
	<u>205,386</u>	<u>(184,843)</u>	<u>20,189,442</u>

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11. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 31 March 2023, there were no significant legal proceedings outstanding against the Group which requires a disclosure or provision. The Group is subject to legal proceedings in the ordinary course of business.

b) Credit related contingencies and commitments

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Letters of guarantee	11,334,413	11,150,947	9,697,630
Irrevocable commitments to extend credit	4,686,187	2,695,949	3,673,288
Letters of credit	2,554,595	2,006,989	1,906,777
Acceptances	1,395,430	1,452,691	1,338,420
	<u>19,970,625</u>	<u>17,306,576</u>	<u>16,616,115</u>

ii) Reconciliation of exposure of financial contingencies and commitments:

	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit- impaired)	Total
31 March 2023 (Unaudited)				
Balance at 1 January 2023	12,283,264	4,668,298	355,014	17,306,576
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(21,466)	21,466	-	-
Transfer to Stage 3	-	-	-	-
	(21,466)	21,466	-	-
Net change during the period	3,039,790	(343,576)	(32,165)	2,664,049
Balance at 31 March 2023	<u>15,301,588</u>	<u>4,346,188</u>	<u>322,849</u>	<u>19,970,625</u>
31 December 2022 (Audited)				
Balance at 1 January 2022	11,067,892	4,449,425	409,627	15,926,944
<i>Transfers during the year</i>				
Transfer to Stage 1	117,960	(117,960)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	117,960	(117,960)	-	-
Net change during the year	1,097,412	336,833	(54,613)	1,379,632
Balance at 31 December 2022	<u>12,283,264</u>	<u>4,668,298</u>	<u>355,014</u>	<u>17,306,576</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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11. CONTINGENCIES AND COMMITMENTS (continued)

b) Credit related contingencies and commitments (continued)

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 March 2022 (Unaudited)				
Balance at 1 January 2022	11,067,892	4,449,425	409,627	15,926,944
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	-	-	-	-
Net change during the period	678,394	16,147	(5,370)	689,171
Balance at 31 March 2022	11,746,286	4,465,572	404,257	16,616,115

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 March 2023 (Unaudited)				
Balance at 1 January 2023	12,056	12,286	116,995	141,337
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(11)	11	-	-
Transfer to Stage 3	-	-	-	-
	(11)	11	-	-
Charge / (reversal) during the period	3,704	(2,156)	(914)	634
Balance at 31 March 2023	15,749	10,141	116,081	141,971

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 March 2022 (Unaudited)				
Balance at 1 January 2022	8,723	6,060	123,412	138,195
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	-	-	-	-
(Reversal) / charge during the period	2,636	118	(1,799)	955
Balance at 31 March 2022	11,359	6,178	121,613	139,150

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12. CASH AND CASH EQUIVALENTS

	31.03.23	31.12.22	31.03.22
	(Unaudited)	(Audited)	(Unaudited)
Cash and balances with			
Saudi Central Bank (SAMA) excluding statutory deposit	7,202,000	3,606,274	3,188,885
Due from banks and other financial institutions with			
original maturities of three-months or less	3,645,843	4,503,902	3,356,486
	10,847,843	8,110,176	6,545,371

13. ZAKAT

Gulf International Bank - Saudi Arabia

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

GIB Capital Company

In 2016, the Company obtained an approval from ZATCA for an exemption to pay zakat. Accordingly, the Company has not considered zakat for the years from 2016 to 2022.

14. SHARE CAPITAL AND EARNINGS PER SHARE

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

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

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

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation to fair value.

At 31 March 2023 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value:</u>					
Investments held at FVOCI	298,215	291,332	-	6,883	298,215
Investments held at FVSI	210,130	187,599	22,531	-	210,130
Positive fair value of derivatives	365,485	-	365,485	-	365,485
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	7,671,753	-	4,975,449	2,591,603	7,567,052
Loans and advances, net	24,112,564	-	-	24,947,881	24,947,881

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
At 31 December 2022 (Audited)					
Financial assets measured at fair value:					
Investments held at FVOCI	296,412	289,529	-	6,883	296,412
Investments held at FVSI	203,003	179,515	23,488	-	203,003
Positive fair value of derivatives	417,480	-	417,480	-	417,480
Financial assets not measured at fair value:					
Investments at amortised cost, net	6,292,987	-	4,127,401	2,004,015	6,131,416
Loans and advances, net	24,790,737	-	-	25,138,163	25,138,163
At 31 March 2022 (Unaudited)					
Financial assets measured at fair value:					
Investments held at FVOCI	359,501	353,403	-	6,098	359,501
Investments held at FVSI	249,163	219,014	30,149	-	249,163
Positive fair value of derivatives	205,386	-	205,386	-	205,386
Financial assets not measured at fair value:					
Investments at amortised cost, net	5,022,783	-	3,354,051	1,640,052	4,994,103
Loans and advances, net	20,138,340	-	-	20,907,988	20,907,988
At 31 March 2023 (Unaudited)					
Financial liabilities measured at fair value:					
Negative fair value of derivatives	284,217	-	284,217	-	284,217
Financial liabilities not measured at fair value:					
Customers' deposits	31,200,518	-	-	30,576,507	30,576,507
At 31 December 2022 (Audited)					
Financial liabilities measured at fair value:					
Negative fair value of derivatives	331,559	-	331,559	-	331,559
Financial liabilities not measured at fair value:					
Customers' deposits	29,595,010	-	-	28,912,211	28,912,211

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15. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 March 2022 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities measured at fair value:</u>					
Negative fair value of derivatives	184,843	-	184,843	-	184,843
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	25,174,354	-	-	24,887,236	24,887,236

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

16. CAPITAL ADEQUACY

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

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

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

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

	31.03.23 (Unaudited)	31.12.22 (Audited)	31.03.22 (Unaudited)
Risk Weighted Assets (RWA)			
Credit risk RWA	35,999,671	34,974,262	29,958,517
Operational risk RWA	1,217,537	1,361,785	1,361,785
Market risk RWA	2,034,802	459,678	556,870
Total Pillar-I RWA	39,252,010	36,795,725	31,877,172
Tier I capital	7,241,248	7,182,483	7,198,270
Tier II capital	219,208	250,361	253,171
Total Tier I & II Capital	7,460,456	7,432,844	7,451,441
Capital adequacy ratios %			
Tier I ratio	18.45%	19.52%	22.58%
Tier I + Tier II ratio	19.01%	20.20%	23.38%

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17. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Group transacts business with related parties. Related party transactions are governed by limits set by the Banking Control Law and regulations issued by SAMA. The Group uses the exemptions in respect of related parties' disclosures for government-related entities in IAS 24 "Related Party Disclosures". Transactions with related parties which are considered individually significant are included below.

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

	<u>31.03.23</u> <u>(Unaudited)</u>	<u>31.12.22</u> <u>(Audited)</u>	<u>31.03.22</u> <u>(Unaudited)</u>
Gulf International Bank BSC, its subsidiaries and branches:			
Due from banks and other financial institutions	35,342	542,512	596,382
Due to banks and other financial institutions	297,014	947,137	410,799
Other assets	93,768	127,147	157,753
Other liabilities	221,620	145,020	97,778
Public Investment Fund and its subsidiaries:			
Loans and advances	1,021,926	2,841,875	875,600
Customers' deposits	12,014,842	10,296,798	6,758,818

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

	<u>31.03.23</u> <u>(Unaudited)</u>	<u>31.12.22</u> <u>(Audited)</u>	<u>31.03.22</u> <u>(Unaudited)</u>
Gulf International Bank BSC, its subsidiaries and branches:			
Derivatives	13,692,609	12,004,034	13,275,839
Contingencies and commitments	1,479,570	1,380,255	913,612
Public Investment Fund and its subsidiaries:			
Derivatives	2,604,535	2,457,918	1,210,410
Contingencies and commitments	3,702,134	3,698,700	4,006,867

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

	<u>31.03.23</u> <u>(Unaudited)</u>	<u>31.12.22</u> <u>(Audited)</u>	<u>31.03.22</u> <u>(Unaudited)</u>
Gulf International Bank BSC, its subsidiaries and branches:			
Special commission income	12,116	1,477	3,596
Special commission expense	4,193	7,768	275
Fees and commission income and expense, net	832	318	17
Public Investment Fund and its subsidiaries:			
Special commission income	33,548	76,166	14,024
Special commission expense	141,924	161,685	4,228
Fees and commission income and expense, net	3,286	26,731	1,523

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18. IBOR TRANSITION (INTEREST RATE BENCHMARK REFORMS)

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 impacts the products, internal systems and processes. The Group has complied with the regulatory deadline of 31 December 2022 for the LIBOR transition and is now offering products based on overnight SOFR, Term SOFR and Islamic SOFR.

The Group is also exposed to the effects of USD LIBOR reform on its financial assets and liabilities. The Group has no exposure to any other LIBOR rates.

Following is the exposures impacted by USD LIBOR for which the transition deadline is 30 June 2023:

<u>USD LIBOR</u>	<u>Non-derivative financial assets' carrying value</u>	<u>Non-derivative financial liabilities' carrying value</u>	<u>Derivatives nominal amount</u>
31 March 2023 (Unaudited)			
LIBOR USD (1 month)	109,125	-	-
LIBOR USD (3 months)	163,319	30,000	2,167,057
LIBOR USD (6 months)	320,114	-	1,820,250
LIBOR USD (12 months)	13,863	-	-
	<u>606,421</u>	<u>30,000</u>	<u>3,987,307</u>
31 December 2022 (Audited)			
LIBOR USD (1 months)	57,075	-	-
LIBOR USD (3 months)	141,288	30,000	2,204,557
LIBOR USD (6 months)	358,467	-	1,820,250
LIBOR USD (12 months)	51,382	-	-
	<u>608,212</u>	<u>30,000</u>	<u>4,024,807</u>

19. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 4 May 2023G (corresponding to 14 Shawwal 1444H).