

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and six-month periods ended
30 June 2022 (Unaudited)



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

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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 (“the Bank”) as at 30 June 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three and six months period then ended, and the interim condensed consolidated statement of changes in equity and cash flows for the six months 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 18 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in note 18 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

Ernst & Young Professional Services

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Certified Public Accountant
License Number 422



04 Safar 1444H
(31 August 2022)

KPMG Professional Services

Dr. Abdullah Hamad Al Fozan
Certified Public Accountant
License Number 348

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
(Professional Closed Joint Stock Company)
Paid-up capital SR 25,000,000
C.R. No. 2051062328

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT

	Note	30.06.22 (Unaudited) SAR '000	31.12.21 (Audited) SAR '000	30.06.21 (Unaudited) SAR '000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	6	6,602,658	5,004,482	5,080,038
Due from banks and other financial institutions	7	2,599,063	2,440,895	1,295,845
Investments held at:				
Fair value through statement of income (FVSI)	8	218,085	205,155	215,547
Fair value through other comprehensive income (FVOCI)	8	358,065	299,644	292,935
Amortised cost (AC), net	8	5,843,089	5,361,683	4,983,699
Positive fair value of derivatives	12	202,591	198,332	230,928
Loans and advances, net	9	19,981,075	23,574,920	21,426,138
Other assets		409,136	407,964	168,468
Furniture, fixtures and equipment		57,165	60,288	71,134
Right-of-use assets		186,349	197,931	210,853
Intangible assets		41,048	38,259	43,582
Total assets		36,476,324	37,789,553	34,019,167
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions	10	2,059,084	2,326,917	1,378,499
Customers' deposits	11	26,120,954	27,236,460	24,557,565
Negative fair value of derivatives	12	181,685	222,676	277,361
Other liabilities		677,403	684,510	513,219
Lease liabilities		206,728	201,445	208,848
Total liabilities		29,245,854	30,672,008	26,935,492
Equity				
Share capital	16	7,500,000	7,500,000	7,500,000
Statutory reserve		1,753	1,753	1,753
Fair value reserve		79,338	22,917	19,958
Accumulated losses		(350,621)	(407,125)	(438,036)
Total equity		7,230,470	7,117,545	7,083,675
Total liabilities and equity		36,476,324	37,789,553	34,019,167

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-Helaisi
Chief Executive Officer



Faisal Sabbagh
Chief Financial Officer

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

	Note	Three-month periods ended		Six-month periods ended	
		30.06.22	30.06.21	30.06.22	30.06.21
(Unaudited)					
		SAR '000	SAR '000	SAR '000	SAR '000
Special commission income		228,786	151,640	413,223	292,884
Special commission expense		(90,093)	(37,876)	(142,892)	(73,616)
Net special commission income		138,693	113,764	270,331	219,268
Fee and commission income		56,116	38,813	120,317	82,751
Fee and commission expense		(4,232)	(1,071)	(7,512)	(1,973)
Net fee and commission income		51,884	37,742	112,805	80,778
Exchange income, net		9,339	3,596	20,398	8,228
(Losses) / gains on FVSI investments, net		(31,130)	26,124	12,581	57,040
Gains on other financial instruments, net		5,809	3,748	10,193	7,169
Dividend income		2,892	2,885	5,777	5,769
Other operating income		754	1,959	2,257	2,394
Total operating income		178,241	189,818	434,342	380,646
Salaries and employee related expenses		(101,584)	(81,178)	(197,216)	(158,953)
Rent and premises related expenses		(2,322)	(2,800)	(4,307)	(5,685)
Depreciation and amortisation		(13,834)	(17,630)	(27,470)	(33,410)
Other general and administrative expenses		(56,835)	(37,319)	(107,341)	(76,231)
Operating expenses before credit impairment provisions		(174,575)	(138,927)	(336,334)	(274,279)
Expected credit losses (charge) / reversal on:					
Loans and advances	9	(15,057)	(12,624)	(33,524)	(6,782)
Financial contingencies and commitments	13	4,660	4,821	3,705	(7,333)
Investments	8	(175)	64	(714)	8
Total expected credit losses		(10,572)	(7,739)	(30,533)	(14,107)
Total operating expenses		(185,147)	(146,666)	(366,867)	(288,386)
(Loss) / income for the period before zakat		(6,906)	43,152	67,475	92,260
Zakat reversal / (charge)	15	2,017	(8,686)	(10,971)	(10,973)
Net (loss) / income for the period		(4,889)	34,466	56,504	81,287
Earnings per share (expressed in SAR per share)					
Basic and diluted earnings per share	16	<u>(0.01)</u>	<u>0.05</u>	<u>0.08</u>	<u>0.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022

	Three-month periods ended		Six-month periods ended	
	30.06.22	30.06.21	30.06.22	30.06.21
	(Unaudited)			
	SAR '000	SAR '000	SAR '000	SAR '000
Net (loss) / income for the period	(4,889)	34,466	56,504	81,287
Other comprehensive (loss) / 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)	(3,435)	(7,350)	56,421	9,464
Other comprehensive (loss) / income for the period	(3,435)	(7,350)	56,421	9,464
Total comprehensive (loss) / income for the period	<u>(8,324)</u>	<u>27,116</u>	<u>112,925</u>	<u>90,751</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

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

<u>For the year ended 31 December 2021</u> <u>(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 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	-	-	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 5)	-	-	-	(66,229)	(66,229)
Balance at 31 December 2021	7,500,000	1,753	22,917	(407,125)	7,117,545

<u>For the six-month period ended</u> <u>30 June 2021 (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 2021	7,500,000	1,753	(8,982)	(433,618)	7,059,153
Net income for the period	-	-	-	81,287	81,287
Other comprehensive income for the period	-	-	9,464	-	9,464
Total comprehensive income for the period	-	-	9,464	81,287	90,751
Transfer from fair value reserve to accumulated losses	-	-	19,476	(19,476)	-
Consideration paid in excess of net assets acquired of a subsidiary (note 5)	-	-	-	(66,229)	(66,229)
Balance at 30 June 2021	7,500,000	1,753	19,958	(438,036)	7,083,675

The accompanying notes 1 to 21 form an integral part of these interim condensed consolidated financial statements.

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

	Note	2022 (Unaudited) SAR '000	2021 (Unaudited) SAR '000
OPERATING ACTIVITIES			
Net income before zakat for the period		67,475	92,260
Adjustments to reconcile income before zakat to net cash flow from / (used in) operating activities:			
Depreciation and amortisation		15,888	17,439
Depreciation of right-of-use assets		11,582	15,137
Expected credit losses on investments		714	(8)
Expected credit losses on loans and advances		33,524	6,782
Expected credit losses (reversal) / charge on financial contingencies and commitments		(3,705)	7,333
Gains on FVSI investments		(12,581)	(57,040)
Gains on other financial instruments		(10,193)	(7,169)
		<u>102,704</u>	<u>74,734</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(35,688)	(341,910)
Due from banks and other financial institutions		26	18
Positive fair value of derivatives		5,934	61,232
Loans and advances		3,584,026	(2,646,803)
Other assets		(1,172)	1,082
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(267,833)	(942,216)
Negative fair value of derivatives		(40,991)	(47,217)
Customers' deposits		(1,115,506)	2,189,194
Other liabilities		(13,144)	(161,177)
Net cash from / (used in) operating activities		<u>2,218,356</u>	<u>(1,813,063)</u>
INVESTING ACTIVITIES			
Purchase of investments, net		(482,120)	(2,250,835)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	5	-	(77,429)
Purchase of furniture, fixtures, equipment and intangible assets		(15,554)	(16,072)
Net cash used in investing activities		<u>(497,674)</u>	<u>(2,344,336)</u>
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		5,857,811	9,064,213
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14	<u>7,578,493</u>	<u>4,906,814</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(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 pursuant to Ministerial Resolution number 2007 dated 26 Jumada Al-Akhirah 1439H (corresponding to 14 March 2018G) and SAMA approval number 291000082125 dated 23 Rajab 1439H (corresponding to 9 April 2018G).

The Bank operates under Commercial Registration number 2052001920 dated 27 Rajab 1440H (corresponding to 3 April 2019G) through its 3 branches located in Riyadh, Jeddah and Dhahran in the Kingdom of Saudi Arabia with the number of employees totalling 638 as at 30 June 2022 (31 December 2021: 616 and 30 June 2021: 594) excluding outsourced employees.

The address of the Bank's Head office is: 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 its customers with non-interest-based banking products which are approved and supervised by an independent Shariah Board. The Bank is regulated by the Saudi Central Bank (SAMA).

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

Name of subsidiary	Ownership interest % held by				Country of incorporation
	Owners of the Bank		Non-controlling interests		
	30.06.22	31.12.21	30.06.22	31.12.21	
GIB Capital Company (a)	100	100	-	-	Kingdom of Saudi Arabia
Dar Enjaz Gulf Real Estate Company (b)	100	100	-	-	Kingdom of Saudi Arabia
GIB Opportunistic Saudi Equity Fund (c)	65.38	80.19	34.62	19.81	Kingdom of Saudi Arabia
GIB Saudi Equity Fund (c)	90.37	92.34	9.63	7.66	Kingdom of Saudi Arabia
GIB Opportunistic Mena Equity Fund (d)	99.72	99.93	0.28	0.07	Kingdom of Saudi Arabia
GIBC Investment Fund 15 (d)	100	100	-	-	Kingdom of Saudi Arabia
GIB KSA Markets Limited (e)	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. GIB Capital Company has employees totalling 62 as at 30 June 2022 (31 December 2021: 55 and 30 June 2021: 54).

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) The funds' investment objective is to generate returns by investing in equity instruments listed on Tadawul.

d) The funds' investment objective is to generate returns by investing in 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(AMOUNTS IN SAR '000)

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the period ended 30 June 2022 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 financial statements as at 31 December 2021.

The consolidated financial statements of the Group as at and for the year ended 31 December 2021, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SR) and amounts are rounded to the nearest thousand except where otherwise stated and the functional currency of the Bank is Saudi Riyal except where otherwise stated in the notes to the interim condensed consolidated financial statements.

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

In preparing these interim condensed consolidated financial statements, significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation were consistent with those that were applied to the consolidated financial statements as at and for the year ended 31 December 2021, except for new amendments that are applicable from the period beginning 1 January 2022 as disclosed below note 3.

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 2021, except for the adoption of new standards effective as of 1 January 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 2022, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

Standards, interpretations, amendments

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
 (AMOUNTS IN SAR '000)

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

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

Standards, interpretations,
 amendments

Standards, interpretations, amendments	Description	Effective date
<p>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.</p>	<p>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.</p> <p>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 statement of income.</p> <p>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.</p> <p>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'.</p>	<p>Annual periods beginning on or after 1 January 2022.</p>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(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

The International Accounting Standards Board (IASB) has issued the following accounting standards, amendments, which become effective from periods on or after 1 January 2023. The Group has opted not to early adopt these pronouncements and they do not have a material impact on the interim condensed consolidated financial statements of the Group.

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.
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.
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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(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 (continued)

Standards, interpretations,
amendments

	Description	Effective date
A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts.	<p>The amendment relates to insurers transition to the new Standard only, it does not affect any other requirements in IFRS 17.</p> <p>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.</p> <p>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.</p>	Annual periods beginning on or after 1 January 2023.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021.

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 interim condensed consolidated financial statements continue to be prepared on a going concern basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2022
(AMOUNTS IN SAR '000)

5. 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, and these costs have been included in other general and administrative expenses.

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

	SAR '000
<u>Consideration paid in cash</u>	<u>256,717</u>
<u>Value of assets acquired</u>	
Property and equipment	3,227
Investment held at FVOCI	23,285
Right-of-use-assets	3,824
Accounts receivable	4,400
Receivable against margin lending	3,538
Advances, prepayments and other current assets	9,192
Short-term deposits	170,000
Bank balances	9,288
	<u>226,754</u>
<u>Value of liabilities assumed</u>	
Lease liabilities	3,511
Employees' terminal benefits	7,871
Accrued expenses and other current liabilities	24,884
	<u>36,266</u>
<u>Net assets acquired</u>	<u>190,488</u>
Transferred directly to equity (consideration paid in excess of net assets acquired)	<u>66,229</u>
Consideration paid	256,717
Cash and cash equivalents acquired (short-term deposits and bank balances)	(179,288)
Net outflow reflected in the interim condensed consolidated statement of cash flows	<u>77,429</u>

Since the above transaction falls under the ambit of 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 has been transferred to accumulated losses.

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

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Money market placements with SAMA (note 6.1)	4,982,515	3,424,952	3,436,998
Statutory deposits (note 6.2)	1,593,209	1,557,521	1,439,042
Cash in hand	23,835	19,350	13,964
Current account	3,099	2,659	190,034
	<u>6,602,658</u>	<u>5,004,482</u>	<u>5,080,038</u>

6.1 Money market placements with SAMA represents overnight reverse repo placement with SAMA have matured on 3 July 2022 (31 December 2021: 2 January 2022 and 30 June 2021: 1 July 2021).

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

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7. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Current accounts	1,180,324	535,685	831,017
Money market placements	1,418,739	1,905,210	464,828
	<u>2,599,063</u>	<u>2,440,895</u>	<u>1,295,845</u>

The above includes Shariah based balances amounting to nil (31 December 2021: SAR 50 million and 30 June 2021: nil).

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

8. INVESTMENTS

a) Investment securities are classified as follows:

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Investments held at amortised cost - gross (8g)	5,844,864	5,362,744	4,984,406
Less: expected credit losses (8h)	(1,775)	(1,061)	(707)
Investments held at amortised cost - net (8d)	5,843,089	5,361,683	4,983,699
Investments held at FVSI (8e)	218,085	205,155	215,547
Investments held FVOCI (8f)	356,065	299,644	292,935
	<u>6,417,239</u>	<u>5,866,482</u>	<u>5,492,181</u>

b) Investment securities include Shariah based investments as follows:

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Investments held at amortised cost	3,427,063	3,058,080	2,874,454
Investments held at fair value through statement of income	95,369	88,994	93,857
	<u>3,522,432</u>	<u>3,147,074</u>	<u>2,968,311</u>

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

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Government and quasi government	4,841,774	4,467,870	4,227,511
Corporate	1,323,741	1,188,420	1,044,702
Banks and other financial institutions	253,499	211,253	220,675
Less: expected credit losses	(1,775)	(1,061)	(707)
	<u>6,417,239</u>	<u>5,866,482</u>	<u>5,492,181</u>

d) Investments held at amortised cost (AC)

	Quoted	Unquoted	Total
30 June 2022 (Unaudited)			
Debt securities - fixed-rate securities	5,025,731	65,489	5,091,220
Debt securities - floating-rate securities	678,492	75,152	753,644
Less: expected credit losses	(642)	(1,133)	(1,775)
	<u>5,703,581</u>	<u>139,508</u>	<u>5,843,089</u>
31 December 2021 (Audited)			
Debt securities - fixed-rate securities	4,737,479	65,472	4,802,951
Debt securities - floating-rate securities	484,722	75,071	559,793
Less: expected credit losses	(807)	(254)	(1,061)
	<u>5,221,394</u>	<u>140,289</u>	<u>5,361,683</u>

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8. INVESTMENTS (continued)

d) Investments held at amortised cost (AC) (continued)

30 June 2021 (Unaudited)	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	4,359,236	65,437	4,424,673
Debt securities - floating-rate securities	484,668	75,065	559,733
Less: expected credit losses	(452)	(255)	(707)
	<u>4,843,452</u>	<u>140,247</u>	<u>4,983,699</u>

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

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Mutual funds	192,254	180,256	191,946
Equity investments	25,831	24,899	23,601
	<u>218,085</u>	<u>205,155</u>	<u>215,547</u>

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

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Equity investments	356,065	299,644	292,935

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:

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Balance at 1 January	6,098	5,128	5,128
Further investments made	-	3,750	-
Net change in fair value	-	(2,780)	-
Balance at period/year end	<u>6,098</u>	<u>6,098</u>	<u>5,128</u>

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:

30 June 2022 (Unaudited)

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

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8. 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: (continued)

31 December 2021 (Audited)

	Stage 1 (12- month ECL)	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	<u>5,362,744</u>	<u>5,362,744</u>

30 June 2021 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2021	2,567,251	2,567,251
Transfer between the stages	-	-
Total transfers	-	-
Net change	2,417,155	2,417,155
Balance at 30 June 2021	<u>4,984,406</u>	<u>4,984,406</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:

30 June 2022 (Unaudited)

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

31 December 2021 (Audited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2021	715	715
Transfer between the stages	-	-
Net remeasurement of loss allowance	346	346
Balance at 31 December 2021	<u>1,061</u>	<u>1,061</u>

30 June 2021 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2021	715	715
Transfer between the stages	-	-
Net remeasurement of loss allowance	(8)	(8)
Balance at 30 June 2021	<u>707</u>	<u>707</u>

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9. LOANS AND ADVANCES

a) Loans and advances are classified as follows:

30 June 2022 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	18,307,024	447,921	1,198,442	19,953,387
Non-performing loans and advances	589,166	-	5,938	595,104
Loans and advances, gross	18,896,190	447,921	1,204,380	20,548,491
Less: expected credit losses	(563,264)	(304)	(23,848)	(587,416)
Loans and advances, net	18,332,926	447,617	1,180,532	19,961,075
31 December 2021 (Audited)	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
30 June 2021 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	19,130,497	1,348,228	750,186	21,228,911
Non-performing loans and advances	846,630	-	1,098	847,728
Loans and advances, gross	19,977,127	1,348,228	751,284	22,076,639
Less: expected credit losses	(632,366)	(889)	(17,246)	(650,501)
Loans and advances, net	19,344,761	1,347,339	734,038	21,426,138

Total loans and advances include Shariah based loans and advances amounting to SAR 13.2 billion (31 December 2021: SAR 16.2 billion; 30 June 2021: SAR 13.5 billion).

b) Reconciliation of gross carrying amounts:

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

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9. LOANS AND ADVANCES (continued)

b) Reconciliation of gross carrying amounts: (continued)

31 December 2021 (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 2021	17,546,331	1,045,771	793,615	19,385,717
Transferred from financial contingencies and commitments (note 13)	-	-	63,683	63,683
<i>Transfers during the year</i>				
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

30 June 2021 (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 2021	17,546,331	1,045,771	793,615	19,385,717
<i>Transfers during the period</i>				
Transfer to Stage 1	56,072	(56,072)	-	-
Transfer to Stage 2	(97,663)	97,663	-	-
Transfer to Stage 3	(5,782)	(31,107)	36,889	-
	(47,373)	10,484	36,889	-
Written-off during the period	-	-	(1,562)	(1,562)
Net change during the period	2,634,596	39,102	18,786	2,692,484
Balance at 30 June 2021	20,133,554	1,095,357	847,728	22,076,639

c) Reconciliation of expected credit losses:

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

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9. LOANS AND ADVANCES (continued)

c) Reconciliation of expected credit losses: (continued)

31 December 2021 (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 2021	90,097	73,230	436,273	599,600
Transferred from financial contingencies and commitments (note 13)	-	-	63,683	63,683
<i>Transfers during the year</i>				
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)	-
<i>Charge/(reversal) during the year</i>				
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
<i>Written-off during the year</i>				
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

30 June 2021 (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 2021	90,097	73,230	436,273	599,600
Transferred from financial contingencies and commitments (note 13)	-	-	45,683	45,683
<i>Transfers during the period</i>				
Transfer to Stage 1	434	(434)	-	-
Transfer to Stage 2	(1,544)	1,544	-	-
Transfer to Stage 3	-	(6,969)	6,969	-
	(1,110)	(5,859)	6,969	-
<i>Charge/(reversal) during the period</i>				
Corporate	167	11,641	(7,429)	4,379
Retail	(276)	2,611	68	2,403
	(109)	14,252	(7,361)	6,782
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(1,564)	(1,564)
	-	-	(1,564)	(1,564)
Balance at 30 June 2021	88,878	81,623	480,000	650,501

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

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Corporate	27,801	51,246	4,379
Retail	5,723	6,705	2,403
Total	33,524	57,951	6,782

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10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Current accounts	122,143	17,508	84,324
Money market deposits (note 10.1)	1,936,941	2,309,409	1,294,175
	<u>2,059,084</u>	<u>2,326,917</u>	<u>1,378,499</u>

10.1 Money market deposits include profit free deposits of SAR 532 million (2021: 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.

11. CUSTOMERS' DEPOSITS

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Demand	14,680,256	12,205,446	13,233,323
Time	10,814,500	13,553,411	10,677,793
Saving	362,137	382,178	480,229
Others	264,061	1,095,425	166,220
	<u>26,120,954</u>	<u>27,236,460</u>	<u>24,557,565</u>

Time deposits include deposits taken under non-interest-based contracts (Shariah based deposits) amounting to SAR 7,388 million (31 December 2021: SAR 10,366 million; 30 June 2021: SAR 8,326 million).

12. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS

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

<u>30 June 2022 (Unaudited)</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	104,062	(101,833)	10,666,602
Futures and options	70,499	(70,499)	6,423,261
Forward foreign exchange	3,770	(3,912)	893,748
Others	700	(700)	60,038
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	23,560	(4,520)	1,333,809
Commission rate swaps - deposits	-	(221)	99,996
	<u>202,591</u>	<u>(181,685)</u>	<u>19,477,454</u>

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12. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS (continued)

31 December 2021 (Audited)

	Positive fair value	Negative fair value	Notional amount
<u>Held for trading</u>			
Commission rate swaps	144,529	(142,563)	10,836,866
Commission rate futures and options	46,376	(46,376)	5,157,569
Forward foreign exchange contracts	3,922	(4,916)	2,818,888
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	3,498	(28,623)	1,012,383
Commission rate swaps - deposits	7	(198)	1,170,020
	<u>198,332</u>	<u>(222,676)</u>	<u>20,995,726</u>

30 June 2021 (Unaudited)

	Positive fair value	Negative fair value	Notional amount
<u>Held for trading</u>			
Commission rate swaps	196,695	(198,603)	10,008,350
Currency swaps	-	-	35
Commission rate futures and options	32,865	(48,984)	1,692,736
Forward foreign exchange contracts	18	(18)	717,075
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	1,168	(29,718)	974,938
Commission rate swaps - deposits	182	(38)	1,221,386
	<u>230,928</u>	<u>(277,361)</u>	<u>14,614,520</u>

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13. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 30 June 2022, there were no significant legal proceedings outstanding against the Group which requires a disclosure or provision. The Group is subject to legal proceedings in the ordinary course of business.

b) Credit related contingencies and commitments

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

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Letters of credit	2,342,557	2,103,368	1,691,649
Letters of guarantee	9,666,726	9,684,494	8,876,768
Acceptances	1,364,007	727,557	1,215,998
Irrevocable commitments to extend credit	5,036,424	3,411,525	1,482,146
	<u>18,409,714</u>	<u>15,926,944</u>	<u>13,266,561</u>

ii) Reconciliation of exposure of financial contingencies and commitments:

30 June 2022 (Unaudited)	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Stage 3 (lifetime ECL credit- impaired)	Total
Balance at 1 January 2022	11,067,892	4,449,425	409,627	15,926,944
<i>Transfers during the period</i>				
Transfer to Stage 1	43,825	(43,825)	-	-
Transfer to Stage 2	(23,858)	23,858	-	-
Transfer to Stage 3	-	-	-	-
	(23,858)	23,858	-	-
Net change during the period	2,627,961	(124,436)	(20,755)	2,482,770
Balance at 30 June 2022	<u>13,671,995</u>	<u>4,348,847</u>	<u>388,872</u>	<u>18,409,714</u>

31 December 2021 (Audited)	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 to loans	-	-	(63,683)	(63,683)
<i>Transfers during the year</i>				
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	<u>11,067,892</u>	<u>4,449,425</u>	<u>409,627</u>	<u>15,926,944</u>

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13. CONTINGENCIES AND COMMITMENTS (continued)

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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
30 June 2021 (Unaudited)				
Balance at 1 January 2021	7,222,062	4,443,039	490,032	12,155,133
<i>Transfers during the period</i>				
Transfer to Stage 1	3,086	(3,086)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	3,086	(3,086)	-	-
Net change during the period	1,287,567	(115,592)	(60,547)	1,111,428
Balance at 30 June 2021	8,512,715	4,324,361	429,485	13,266,561

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
30 June 2022 (Unaudited)				
Balance at 1 January 2022	8,723	6,060	123,412	138,195
<i>Transfers during the period</i>				
Transfer to Stage 1	221	(221)	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	221	(221)	-	-
(Reversal) / charge during the period	4,105	124	(7,934)	(3,705)
Balance at 30 June 2022	13,049	5,963	115,478	134,490

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 December 2021 (Audited)				
Balance at 1 January 2021	10,633	10,060	183,222	203,915
Transferred to loans	-	-	(63,683)	(63,683)
<i>Transfers during the year</i>				
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

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
30 June 2021 (Unaudited)				
Balance at 1 January 2021	10,633	10,060	183,222	203,915
Transferred to loans and advances	-	-	(45,683)	(45,683)
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	-	-	-	-
(Reversal) / charge during the period	(1,615)	(958)	9,906	7,333
Balance at 30 June 2021	9,018	9,102	147,445	165,565

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14. CASH AND CASH EQUIVALENTS

	30.06.22	31.12.21	30.06.21
	(Unaudited)	(Audited)	(Unaudited)
Cash and balances with			
Saudi Central Bank (SAMA) excluding statutory deposit	5,009,449	3,446,961	3,640,996
Due from banks and other financial institutions with			
original maturities of three-months or less	2,569,044	2,410,850	1,265,818
	7,578,493	5,857,811	4,906,814

Cash and balances with SAMA includes statutory deposits of SAR 1,593 million (31 December 2021: SAR 1,588 million and 30 June 2021: SAR 1,439 million).

Due from banks and other financial institutions includes amounts with original maturities of more than three-months amounting to SAR 30 million (31 December 2021: SAR 30 million and 30 June 2021: SAR 30 million).

15. ZAKAT

Gulf International Bank - Saudi Arabia

The provision for zakat liability is estimated based on the results of operations of the Bank. The Bank has accrued zakat liability of SAR 10.97 million for the period ended 30 June 2022 (30 June 2021: SAR 10.97 million).

Status of assessments

The Bank has filed its zakat declaration with 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 and 2021. 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 2021.

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 the ZATCA. However, the assessments have not yet been finalised by ZATCA for any of these years.

16. SHARE CAPITAL AND EARNINGS PER SHARE

The authorised, issued and fully paid share capital at 30 June 2022 comprised 750 million shares (31 December 2021 and 30 June 2021; 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 30 June 2022 and 2021 is calculated on a weighted average basis by dividing the net income for the period by 750 million shares.

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17. 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:

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

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

Determination of fair value and fair value hierarchy

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

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

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

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

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

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

At 30 June 2022 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<u>Financial assets measured at fair value:</u>					
Investments held at FVOCI	356,065	349,967	-	6,098	356,065
Investments held at FVSI	218,085	218,085	-	-	218,085
Positive fair value of derivatives	202,591	-	202,591	-	202,591
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	5,843,089	-	3,263,752	2,240,472	5,504,224
Loans and advances, net	19,961,075	-	-	20,684,347	20,684,347

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 31 December 2021 (Audited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
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 at amortised cost, net	5,361,683	-	3,171,546	2,207,181	5,378,727
Loans and advances, net	23,574,920	-	-	23,898,431	23,898,431
At 30 June 2021 (Unaudited)					
At 30 June 2021 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value:					
Investments held at FVOCI	292,935	287,807	-	5,128	292,935
Investments held at FVSI	215,547	215,547	-	-	215,547
Positive fair value of derivatives	230,928	-	230,928	-	230,928
Financial assets not measured at fair value:					
Investments at amortised cost, net	4,983,699	-	4,808,212	140,635	4,948,847
Loans and advances, net	21,426,138	-	-	21,549,740	21,549,740
At 30 June 2022 (Unaudited)					
At 30 June 2022 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at fair value:					
Negative fair value of derivatives	181,685	-	181,685	-	181,685
Financial liabilities not measured at fair value:					
Customers' deposits	26,120,954	-	-	25,754,944	25,754,944
At 31 December 2021 (Audited)					
At 31 December 2021 (Audited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
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

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 30 June 2021 (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	277,361	-	277,361	-	277,361
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	24,557,565	-	-	24,414,025	24,414,025

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 prevailing market rates. There were no transfers between the levels of fair value hierarchies during the period.

18. 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.

	30.06.22 (Unaudited)	31.12.21 (Audited)	30.06.21 (Unaudited)
Risk Weighted Assets (RWA)			
Credit risk RWA	30,746,363	31,574,014	29,755,357
Operational risk RWA	1,361,785	1,091,745	1,091,744
Market risk RWA	643,771	466,786	592,242
Total Pillar-I RWA	32,751,919	33,132,545	31,439,343
Tier I capital	7,189,422	7,079,286	7,083,675
Tier II capital	257,214	248,519	171,208
Total Tier I & II Capital	7,446,636	7,327,805	7,254,883
Capital adequacy ratios %			
Tier I ratio	21.95%	21.37%	22.53%
Tier I + Tier II ratio	22.74%	22.12%	23.08%

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19. IMPACT OF SAMA PROGRAMS

Deferred Payments Program ("DPP"):

In response to COVID-19, SAMA launched the Deferred Payments Program ("DPP") 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. The payment reliefs were considered as short-term liquidity support to address borrowers' potential cash flow shortages. The accounting impact of the above changes in terms of the credit facilities were assessed and has been treated as per the requirements of IFRS 9 as modification in terms of arrangement. The DPP program has ended on 31 March 2022.

During the six month period ended 30 June 2022, SAR 0.2 million (30 June 2021: SAR 1.2 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits with an aggregate of SAR 12.5 million deferred grant income as at 30 June 2022 (31 December 2021: SAR 12.8 million). During the three month period ended 30 June 2022, SAR 0.1 million (30 June 2021: SAR 0.5 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic. 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. The Group has total overlays of SR 22.9 million as at 30 June 2022 (31 December 2021: SR 22.9 million).

20. 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").

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. The Group has complied with the regulatory deadline of the LIBOR transition i.e., 31 December 2021 and is now offering products based on overnight SOFR and Term SOFR.

The Group has exposure to IBOR rates that are subject to reform through its structural profit rate position and products denominated in foreign currencies and, where applicable, associated hedging. Following is the exposures impacted by LIBOR:

USD LIBOR	Non-derivative financial assets' carrying value	Non-derivative financial liabilities' carrying value	Derivatives nominal amount
30 June 2022 (Unaudited)			
LIBOR USD (1 month)	37,125	-	-
LIBOR USD (3 months)	224,688	30,000	2,849,557
LIBOR USD (6 months)	274,583	-	2,075,250
LIBOR USD (12 months)	30,000	-	-
	566,396	30,000	4,924,807
31 December 2021 (Audited)			
LIBOR USD (1 month)	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

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 28 July 2022G (corresponding to 29 Dhu'l-Hijjah 1443H).