

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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended
30 September 2022 (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 (“the Bank”) as at 30 September 2022, and the related interim condensed consolidated statements of income and comprehensive income for the three and nine months period then ended, and the interim condensed consolidated statements of changes in equity and cash flows for the nine 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
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KPMG Professional Services



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23 Rabi' al-Tham 1444H
(17 November 2022)

**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	30.09.22 (Unaudited) SAR '000	31.12.21 (Audited) SAR '000	30.09.21 (Unaudited) SAR '000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	6	4,532,083	5,004,482	3,574,241
Due from banks and other financial institutions	7	3,049,942	2,440,895	1,873,864
Investments held at:				
Fair value through statement of income (FVSI)	8	221,205	205,155	199,249
Fair value through other comprehensive income (FVOCI)	8	333,196	299,644	303,225
Amortised cost (AC), net	8	7,013,249	5,361,683	5,140,997
Positive fair value of derivatives	12	368,551	198,332	216,955
Loans and advances, net	9	21,938,343	23,574,920	23,342,009
Other assets		371,152	407,964	153,233
Furniture, fixtures and equipment		57,321	60,288	66,789
Right-of-use assets		192,301	197,931	204,070
Intangible assets		46,582	38,259	43,339
Total assets		38,123,925	37,789,553	35,117,971
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions	10	1,063,839	2,326,917	1,284,226
Customers' deposits	11	28,425,709	27,236,460	25,725,365
Negative fair value of derivatives	12	302,865	222,676	252,095
Other liabilities		869,060	684,510	532,895
Lease liabilities		206,332	201,445	211,635
Total liabilities		30,867,805	30,672,008	28,006,216
Equity				
Share capital	16	7,500,000	7,500,000	7,500,000
Statutory reserve		1,753	1,753	1,753
Fair value reserve		52,719	22,917	26,499
Accumulated losses		(298,352)	(407,125)	(416,497)
Total equity		7,256,120	7,117,545	7,111,755
Total liabilities and equity		38,123,925	37,789,553	35,117,971

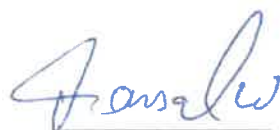
The interim condensed consolidated financial statements were approved by the Board of Directors and signed on its behalf by:-



Abdulla Mohammed Al-Zamil
Chairman



Abdulaziz A. Al-Halaissi
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 NINE-MONTH PERIODS ENDED 30 SEPTEMBER 2022

	Note	Three-month periods ended		Nine-month periods ended	
		30.09.22	30.09.21	30.09.22	30.09.21
		(Unaudited)			
		SAR '000	SAR '000	SAR '000	SAR '000
Special commission income		325,478	162,014	738,701	454,898
Special commission expense		(157,589)	(39,364)	(300,481)	(112,980)
Net special commission income		167,889	122,650	438,220	341,918
Fee and commission income		60,711	39,149	181,028	121,900
Fee and commission expense		(5,690)	(1,014)	(13,202)	(2,987)
Net fee and commission income		55,021	38,135	167,826	118,913
Exchange income, net		28,742	7,187	49,140	15,415
Gains on FVSI investments, net		3,377	23,703	15,958	80,743
Gains on other financial instruments, net		11,122	4,269	21,315	11,438
Dividend income		2,884	2,885	8,661	8,654
Other operating income		8,482	8,354	10,739	10,748
Total operating income		277,517	207,183	711,859	587,829
Salaries and employee related expenses		(113,456)	(98,346)	(310,672)	(257,299)
Rent and premises related expenses		(4,315)	(3,951)	(8,622)	(9,636)
Depreciation and amortisation		(13,199)	(14,941)	(40,669)	(48,351)
Other general and administrative expenses		(56,568)	(39,694)	(163,909)	(115,925)
Operating expenses before credit impairment provisions		(187,538)	(156,932)	(523,872)	(431,211)
Expected credit losses (charge) / reversal on:					
Loans and advances	9	(23,486)	(29,125)	(57,010)	(35,907)
Financial contingencies and commitments	13	(4,018)	8,792	(313)	1,459
Investments	8	519	(306)	(195)	(298)
Total expected credit losses		(26,985)	(20,639)	(57,518)	(34,746)
Total operating expenses		(214,523)	(177,571)	(581,390)	(465,957)
Income for the period before zakat		62,994	29,612	130,469	121,872
Zakat charge	15	(10,725)	(8,507)	(21,696)	(19,480)
Net income for the period		52,269	21,105	108,773	102,392
Earnings per share (expressed in SAR per share)					
Basic and diluted earnings per share	16	<u>0.07</u>	<u>0.03</u>	<u>0.15</u>	<u>0.14</u>

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

	Three-month periods ended		Nine-month periods ended		
	30.09.22	30.09.21	0	30.09.22	30.09.21
	(Unaudited)				
	SAR '000	SAR '000		SAR '000	SAR '000
Net income for the period	52,269	21,105		108,773	102,392
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)	(26,619)	6,975		29,802	16,439
Other comprehensive (loss) / income for the period	(26,619)	6,975		29,802	16,439
Total comprehensive income for the period	<u>25,650</u>	<u>28,080</u>		<u>138,575</u>	<u>118,831</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

<u>For the nine-month period ended</u> <u>30 September 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	-	-	-	108,773	108,773
Other comprehensive income for the period	-	-	29,802	-	29,802
Total comprehensive income for the period	-	-	29,802	108,773	138,575
Balance at 30 September 2022	7,500,000	1,753	52,719	(298,352)	7,256,120

<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 nine-month period ended</u> <u>30 September 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	-	-	-	102,392	102,392
Other comprehensive income for the period	-	-	16,439	-	16,439
Total comprehensive income for the period	-	-	16,439	102,392	118,831
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 30 September 2021	7,500,000	1,753	26,499	(416,497)	7,111,755

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER**

	Note	2022 (Unaudited) SAR '000	2021 (Unaudited) SAR '000
OPERATING ACTIVITIES			
Net income before zakat for the period		130,469	121,872
Adjustments to reconcile income before zakat to net cash flow generated from / (used in) operating activities:			
Depreciation and amortisation		23,785	26,431
Depreciation of right-of-use assets		16,884	21,920
Expected credit losses on investments		195	298
Expected credit losses on loans and advances		57,010	35,907
Expected credit losses charge / (reversal) on financial contingencies and commitments		313	(1,459)
Gains on FVSI investments		(15,958)	(80,743)
Gains on other financial instruments		(21,315)	(11,438)
		<u>191,383</u>	<u>112,788</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(203,922)	(319,133)
Due from banks and other financial institutions		(55)	16
Positive fair value of derivatives		(186,177)	79,474
Loans and advances		1,579,254	(4,590,340)
Other assets		36,812	6,413
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,263,078)	(1,036,489)
Negative fair value of derivatives		80,189	(72,483)
Customers' deposits		1,189,249	3,356,994
Other liabilities		189,918	(143,237)
Net cash generated from / (used in) operating activities		<u>1,613,573</u>	<u>(2,605,997)</u>
INVESTING ACTIVITIES			
Purchase of investments, net		(1,651,761)	(2,358,500)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	5	-	(77,429)
Purchase of furniture, fixtures, equipment and intangible assets		(29,141)	(20,476)
Net cash used in investing activities		<u>(1,680,902)</u>	<u>(2,456,405)</u>
Net 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>5,790,482</u>	<u>4,001,811</u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 678 as at 30 September 2022 (31 December 2021: 616 and 30 September 2021: 599) 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, Al Khobar 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).

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

<u>Name of subsidiary</u>	<u>Ownership interest % held by the owners of the Bank</u>		<u>Country of incorporation</u>
	<u>30.09.22</u>	<u>31.12.21</u>	
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 Mena Equity Fund (c)	99.72	99.93	Kingdom of Saudi Arabia
GIBC Investment Fund 15 (c)	100	100	Kingdom of Saudi Arabia
GIB KSA Markets Limited (d)	100	100	Cayman Islands
GIB Opportunistic Saudi Equity Fund (e)	29.42	80.2	Kingdom of Saudi Arabia
GIB Saudi Equity Fund (e)	32.53	92.3	Kingdom of Saudi Arabia

- 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 71 as at 30 September 2022 (31 December 2021: 55 and 30 September 2021: 53).
- 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 MENA equity instruments.
- d) A limited liability company incorporated in the Cayman Islands. The Company is engaged in derivatives trading and repo activities.
- e) The funds' investment objective is to generate returns by investing in equity instruments listed on Tadawul. During the period ended 30 September 2022, the Fund Manager of GIB Opportunistic Saudi Equity Fund and GIB Saudi Equity Fund (collectively the "Two Funds") has issued a number of units to new subscribers which resulted in the Group's percentage of ownership diluting from 80.2% and 92.3% to 29.42% and 32.53%, respectively. As a result, the Group has lost control over the Two Funds.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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 consolidated 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.

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. 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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
<p>A narrow-scope amendment to the transition requirements in IFRS 17 Insurance Contracts.</p>	<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>	<p>Annual periods beginning on or after 1 January 2023.</p>

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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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)

	30.09.22 <u>(Unaudited)</u>	31.12.21 (Audited)	30.09.21 (Unaudited)
Money market placements with SAMA (note 6.1)	2,752,751	3,424,952	2,132,941
Statutory deposits (note 6.2)	1,761,443	1,557,521	1,416,265
Cash in hand	15,105	19,350	22,313
Current account	2,784	2,659	2,722
	<u>4,532,083</u>	<u>5,004,482</u>	<u>3,574,241</u>

6.1 Money market placements with SAMA represents overnight reverse repo placement with SAMA have matured on 2 October 2022 (31 December 2021: 2 January 2022 and 30 September 2021: 3 October 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

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Current accounts	1,704,675	535,685	972,614
Money market placements	1,345,267	1,905,210	901,250
	<u>3,049,942</u>	<u>2,440,895</u>	<u>1,873,864</u>

The above includes Shariah based balances amounting to nil (31 December 2021: SAR 50 million and 30 September 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 on demand balances and short-term placements with investment grade banks and impact of expected credit losses is considered to be immaterial.

8. INVESTMENTS

a) Investment securities are classified as follows:

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Investments held at amortised cost - gross (8g)	7,014,505	5,362,744	5,142,010
Less: expected credit losses (8h)	(1,256)	(1,061)	(1,013)
Investments held at amortised cost - net (8d)	7,013,249	5,361,683	5,140,997
Investments held at FVSI (8e)	221,205	205,155	199,249
Investments held FVOCI (8f)	333,196	299,644	303,225
	<u>7,567,650</u>	<u>5,866,482</u>	<u>5,643,471</u>

b) Investment securities include Shariah based investments as follows:

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Investments held at amortised cost	3,602,617	3,058,080	2,874,454
Investments held at fair value through statement of income	97,781	88,994	93,857
	<u>3,700,398</u>	<u>3,147,074</u>	<u>2,968,311</u>

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

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Government and quasi government	6,312,278	4,467,870	4,341,719
Corporate	995,980	1,188,420	1,095,477
Banks and other financial institutions	260,648	211,253	207,288
Less: expected credit losses	(1,256)	(1,061)	(1,013)
	<u>7,567,650</u>	<u>5,866,482</u>	<u>5,643,471</u>

d) Investments held at amortised cost (AC)

	Quoted	Unquoted	Total
30 September 2022 (Unaudited)			
Debt securities - fixed-rate securities	6,583,093	15,180	6,598,273
Debt securities - floating-rate securities	340,256	75,976	416,232
Less: expected credit losses	(1,182)	(74)	(1,256)
	<u>6,922,167</u>	<u>91,082</u>	<u>7,013,249</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 September 2021 (Unaudited)	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	4,792,337	65,587	4,857,924
Debt securities - floating-rate securities	208,675	75,411	284,086
Less: expected credit losses	(759)	(254)	(1,013)
	<u>5,000,253</u>	<u>140,744</u>	<u>5,140,997</u>

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

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Mutual funds	195,508	180,256	173,754
Equity investments	25,697	24,899	25,495
	<u>221,205</u>	<u>205,155</u>	<u>199,249</u>

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

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Equity investments	333,196	299,644	303,225

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:

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Balance at 1 January	6,098	5,128	5,128
Further investments made	3,750	3,750	-
Net change in fair value	-	(2,780)	-
Balance at period/year end	<u>9,848</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 September 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	1,651,761	1,651,761
Balance at 30 September 2022	<u>7,014,505</u>	<u>7,014,505</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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	2,566,536	2,566,536
Transfer between the stages	-	-
Total transfers	-	-
Net change	2,796,208	2,796,208
Balance at 31 December 2021	<u>5,362,744</u>	<u>5,362,744</u>

30 September 2021 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2021	2,566,536	2,566,536
Transfer between the stages	-	-
Total transfers	-	-
Net change	2,575,474	2,575,474
Balance at 30 September 2021	<u>5,142,010</u>	<u>5,142,010</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 September 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	195	195
Balance at 30 September 2022	<u>1,256</u>	<u>1,256</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 September 2021 (Unaudited)

	Stage 1 (12- month ECL)	Total
Balance at 1 January 2021	715	715
Transfer between the stages	-	-
Net remeasurement of loss allowance	298	298
Balance at 30 September 2021	<u>1,013</u>	<u>1,013</u>

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9. LOANS AND ADVANCES

a) Loans and advances are classified as follows:

30 September 2022 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	19,000,309	1,477,754	1,458,805	21,936,868
Non-performing loans and advances	602,181	-	7,039	609,220
Loans and advances, gross	19,602,490	1,477,754	1,465,844	22,546,088
Less: expected credit losses	(582,473)	(1,460)	(23,812)	(607,745)
Loans and advances, net	19,020,017	1,476,294	1,442,032	21,938,343
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 September 2021 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	20,880,855	1,363,868	926,304	23,171,027
Non-performing loans and advances	866,764	-	1,368	868,132
Loans and advances, gross	21,747,619	1,363,868	927,672	24,039,159
Less: expected credit losses	(676,850)	(223)	(20,077)	(697,150)
Loans and advances, net	21,070,769	1,363,645	907,595	23,342,009

Total loans and advances include Shariah based loans and advances amounting to SAR 13.9 billion (31 December 2021: SAR 16.2 billion; 30 September 2021: SAR 14.9 billion).

b) Reconciliation of gross carrying amounts:

30 September 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	57,881	(57,881)	-	-
Transfer to Stage 2	(41,539)	41,539	-	-
Transfer to Stage 3	(1,966)	(14,313)	16,279	-
	14,376	(30,655)	16,279	-
Written-off during the period	-	-	(6,052)	(6,052)
Net change during the period	(1,460,217)	(140,271)	20,921	(1,579,567)
Balance at 30 September 2022	20,903,185	1,033,683	609,220	22,546,088

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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 September 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	26,331	(26,331)	-	-
Transfer to Stage 2	(97,663)	97,663	-	-
Transfer to Stage 3	-	(31,107)	31,107	-
	(71,332)	40,225	31,107	-
Written-off during the period	-	-	(2,040)	(2,040)
Net change during the period	4,510,695	99,337	45,450	4,655,482
Balance at 30 September 2021	21,985,694	1,185,333	868,132	24,039,159

c) Reconciliation of expected credit losses:

30 September 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	982	(982)	-	-
Transfer to Stage 2	(130)	130	-	-
Transfer to Stage 3	(13)	(3,192)	3,205	-
	839	(4,044)	3,205	-
<i>Charge/(reversal) during the period</i>				
Corporate	14,344	(5,327)	38,518	47,535
Retail	(306)	743	9,038	9,475
	14,038	(4,584)	47,556	57,010
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(6,052)	(6,052)
	-	-	(6,052)	(6,052)
Balance at 30 September 2022	76,241	162,683	368,821	607,745

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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 September 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)	-	-	63,683	63,683
<i>Transfers during the period</i>				
Transfer to Stage 1	(1,442)	1,442	-	-
Transfer to Stage 2	157	(7,127)	6,970	-
Transfer to Stage 3	-	-	-	-
	(1,285)	(5,685)	6,970	-
<i>Charge/(reversal) during the period</i>				
Corporate	(1,404)	35,935	(2,244)	32,287
Retail	2,578	989	53	3,620
	1,174	36,924	(2,191)	35,907
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(2,040)	(2,040)
	-	-	(2,040)	(2,040)
Balance at 30 September 2021	89,986	104,469	502,695	697,150

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

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Corporate	47,535	51,246	32,287
Retail	9,475	6,705	3,620
Total	57,010	57,951	35,907

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10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Current accounts	188,645	17,508	112,601
Money market deposits (note 10.1)	875,194	2,309,409	1,171,625
	<u>1,063,839</u>	<u>2,326,917</u>	<u>1,284,226</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

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Demand	18,621,043	12,205,446	13,033,367
Time	9,331,484	13,553,411	11,994,236
Saving	301,629	382,178	453,871
Margin	171,553	1,095,425	243,891
	<u>28,425,709</u>	<u>27,236,460</u>	<u>25,725,365</u>

Time deposits include deposits taken under non-interest-based contracts (Shariah based deposits) amounting to SAR 5.1 billion (31 December 2021: SAR 10.4 billion; 30 September 2021: SAR 9.5 billion).

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 September 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	158,856	(154,506)	10,618,910
Commission rate futures and options	81,997	(81,997)	6,424,608
Currency options	48,113	(48,113)	2,372,656
Forward foreign exchange	9,762	(11,093)	505,919
Others	4,755	(4,500)	322,801
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	32,245	-	857,537
Commission rate swaps - deposits	32,823	(2,656)	693,656
	<u>368,551</u>	<u>(302,865)</u>	<u>21,796,087</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 September 2021 (Unaudited)

	Positive fair value	Negative fair value	Notional amount
<u>Held for trading</u>			
Commission rate swaps	164,032	(162,789)	10,307,006
Currency swaps	-	-	-
Commission rate futures and options	51,151	(51,139)	5,037,555
Forward foreign exchange contracts	317	(317)	1,530,498
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	1,396	(37,784)	1,068,364
Commission rate swaps - deposits	59	(66)	1,641,940
	<u>216,955</u>	<u>(252,095)</u>	<u>19,585,363</u>

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13. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 30 September 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:

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Letters of guarantee	9,771,862	9,684,494	9,181,732
Irrevocable commitments to extend credit	5,073,123	3,411,525	2,960,023
Letters of credit	2,520,431	2,103,368	1,679,675
Acceptances	1,036,804	727,557	976,105
	<u>18,402,220</u>	<u>15,926,944</u>	<u>14,797,535</u>

ii) Reconciliation of exposure of financial contingencies and commitments:

30 September 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	14,164,314	1,353,003	409,627	15,926,944
<i>Transfers during the period</i>				
Transfer to Stage 1	99,959	(99,959)	-	-
Transfer to Stage 2	(5,423)	5,423	-	-
Transfer to Stage 3	-	-	-	-
	94,536	(94,536)	-	-
Net change during the period	2,482,804	22,385	(29,913)	2,475,276
Balance at 30 September 2022	<u>16,741,654</u>	<u>1,280,852</u>	<u>379,714</u>	<u>18,402,220</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	6,652,728	(2,778,160)	(39,074)	3,835,494
Balance at 31 December 2021	<u>14,164,314</u>	<u>1,353,003</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 September 2021 (Unaudited)				
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 period</i>				
Transfer to Stage 1	26,379	(26,379)	-	-
Transfer to Stage 2	3,085	(3,085)	-	-
Transfer to Stage 3	-	-	-	-
	29,464	(29,464)	-	-
Net change during the period	5,815,198	(3,077,067)	(32,046)	2,706,085
Balance at 30 September 2021	13,066,724	1,336,508	394,303	14,797,535

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 September 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	225	(225)	-	-
Transfer to Stage 2	(64)	64	-	-
Transfer to Stage 3	-	-	-	-
	161	(161)	-	-
Charge / (reversal) during the period	7,744	1,289	(8,720)	313
Balance at 30 September 2022	16,628	7,188	114,692	138,508

	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 September 2021 (Unaudited)				
Balance at 1 January 2021	10,633	10,060	183,222	203,915
Transferred to loans and advances	-	-	(63,683)	(63,683)
<i>Transfers during the period</i>				
Transfer to Stage 1	66	(66)	-	-
Transfer to Stage 2	(204)	204	-	-
Transfer to Stage 3	-	-	-	-
	(138)	138	-	-
(Reversal) / charge during the period	(2,422)	(2,910)	3,873	(1,459)
Balance at 30 September 2021	8,073	7,288	123,412	138,773

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14. CASH AND CASH EQUIVALENTS

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Cash and balances with			
Saudi Central Bank (SAMA) excluding statutory deposit	2,770,640	3,446,961	2,157,976
Due from banks and other financial institutions with			
original maturities of three-months or less	3,019,842	2,410,850	1,843,835
	5,790,482	5,857,811	4,001,811

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 21.70 million for the period ended 30 September 2022, that includes prior year reversal of SAR 1.5 million (30 September 2021: SAR 19.48 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.

16. SHARE CAPITAL AND EARNINGS PER SHARE

The authorised, issued and fully paid share capital at 30 September 2022 comprised 750 million shares (31 December 2021 and 30 September 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 September 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 September 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	333,196	323,348	-	9,848	333,196
Investments held at FVSI	221,205	221,205	-	-	221,205
Positive fair value of derivatives	368,551	-	368,551	-	368,551
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	7,013,249	-	3,217,828	3,427,769	6,645,597
Loans and advances, net	21,938,343	-	-	22,153,961	22,153,961

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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 September 2021 (Unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:					
Investments held at FVOCI	303,225	295,186	-	8,039	303,225
Investments held at FVSI	199,249	199,249	-	-	199,249
Positive fair value of derivatives	216,955	-	216,955	-	216,955
Financial assets not measured at fair value:					
Investments at amortised cost, net	5,140,997	-	4,837,149	140,618	4,977,767
Loans and advances, net	23,342,009	-	-	23,488,984	23,488,984
At 30 September 2022 (Unaudited)	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value:					
Negative fair value of derivatives	302,865	-	302,865	-	302,865
Financial liabilities not measured at fair value:					
Customers' deposits	28,425,709	-	-	28,084,499	28,084,499
At 31 December 2021 (Audited)	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value:					
Negative fair value of derivatives	222,676	-	222,676	-	222,676
Financial liabilities not measured at fair value:					
Customers' deposits	27,236,460	-	-	26,655,901	26,655,901

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17. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

At 30 September 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	252,095	-	252,095	-	252,095
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	25,725,365	-	-	25,245,554	25,245,554

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.

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.

	30.09.22 (Unaudited)	31.12.21 (Audited)	30.09.21 (Unaudited)
Risk Weighted Assets (RWA)			
Credit risk RWA	32,598,734	31,574,014	32,130,593
Operational risk RWA	1,361,785	1,091,745	1,091,744
Market risk RWA	537,875	466,786	443,526
Total Pillar-I RWA	34,498,394	33,132,545	33,665,863
Tier I capital	7,209,538	7,079,286	7,068,416
Tier II capital	263,996	248,519	195,468
Total Tier I & II Capital	7,473,534	7,327,805	7,263,884
Capital adequacy ratios %			
Tier I ratio	20.90%	21.37%	21.00%
Tier I + Tier II ratio	21.66%	22.12%	21.58%

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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 nine month period ended 30 September 2022 SAR 1.2 million (30 September 2021: 9.5 SAR 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 11.6 million deferred grant income as at 30 September 2022 (31 December 2021: SAR 12.8 million). During the three month period ended 30 September 2022 SAR 0.8 million (30 September 2021: SAR 1.9 million) has been recognized in the interim condensed consolidated statement of income with respect to the amortization of grant income on related deposits.

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 GBP 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 still 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 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>
30 September 2022 (Unaudited)			
LIBOR USD (1 month)	166,500	-	-
LIBOR USD (3 months)	251,345	30,000	3,074,557
LIBOR USD (6 months)	210,101	-	2,075,250
LIBOR USD (12 months)	37,520	-	-
	<u>665,466</u>	<u>30,000</u>	<u>5,149,807</u>
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
	<u>576,559</u>	<u>30,000</u>	<u>4,834,807</u>

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors on 27 October 2022G (corresponding to 2 Rabi- al-Thani 1444H).