

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

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS

For the three-month period ended
31 March 2022



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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, a Saudi Closed Joint Stock Company (the “Bank”) as at 31 March 2022, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2022 (“the period”), 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 International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”) that is 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 International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, that is 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 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 have not been prepared, in all material respects in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by 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.

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3 Duh Al-Qi' dah 1443 H
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT

	Note	31.03.22 (Unaudited) SAR '000	31.12.21 (Audited) SAR '000	31.03.21 (Unaudited) SAR '000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)	6	4,723,863	5,004,482	7,086,377
Due from banks and other financial institutions	7	3,386,531	2,440,895	735,333
Investments held at:				
Fair value through statement of income (FVSI)	8	249,163	205,155	255,381
Fair value through other comprehensive income (FVOCI)	8	359,501	299,644	300,314
Amortised cost (AC), net	8	5,022,783	5,361,683	4,340,416
Positive fair value of derivatives	12	205,386	198,332	238,995
Loans and advances, net	9	20,138,340	23,574,920	20,712,808
Other assets		444,029	407,964	133,634
Furniture, fixtures and equipment		59,117	60,288	68,772
Right-of-use assets		192,140	197,931	214,581
Intangible assets		40,524	38,259	47,765
Total assets		34,821,377	37,789,553	34,134,376
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions	10	1,216,360	2,326,917	1,674,995
Customers' deposits	11	25,174,354	27,236,460	24,281,505
Negative fair value of derivatives	12	184,843	222,676	287,197
Other liabilities		802,940	684,510	644,809
Lease liabilities		204,086	201,445	189,311
Total liabilities		27,582,583	30,672,008	27,077,817
Equity				
Share capital	16	7,500,000	7,500,000	7,500,000
Statutory reserve		1,753	1,753	1,753
Fair value reserve		82,773	22,917	27,646
Accumulated losses		(345,732)	(407,125)	(472,840)
Total equity		7,238,794	7,117,545	7,056,559
Total liabilities and equity		34,821,377	37,789,553	34,134,376

The interim condensed consolidated financial statements were approved by the Board of Directors on 27 April 2022 and signed on its behalf by:-



Abdulla Mohammed Al-Zamil
Chairman



Abdulaziz A. Al-Helaissi
Chief Executive Officer



Faisal Sabbagh
Chief Financial Officer

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

	Note	2022 (Unaudited) SAR '000	2021 (Unaudited) SAR '000
Special commission income		184,437	141,244
Special commission expense		<u>(52,799)</u>	<u>(35,740)</u>
Net special commission income		131,638	105,504
Fee and commission income		64,201	43,938
Fee and commission expense		<u>(3,280)</u>	<u>(902)</u>
Net fee and commission income		60,921	43,036
Exchange income, net		11,059	4,632
Gains on FVSI investments, net		43,711	30,916
Gains on other financial instruments, net		4,384	3,421
Dividend income		2,885	2,884
Other income		<u>1,503</u>	<u>435</u>
Total operating income		<u>256,101</u>	<u>190,828</u>
Salaries and employee related expenses		(95,632)	(77,775)
Rent and premises related expenses		(1,985)	(2,885)
Depreciation and amortisation		(13,636)	(15,780)
Other general and administrative expenses		<u>(50,506)</u>	<u>(38,912)</u>
Operating expenses before credit impairment provisions		<u>(161,759)</u>	<u>(135,352)</u>
Expected credit losses (charge) / reversal on:			
Loans and advances	9	(18,467)	5,842
Financial contingencies and commitments	13	(955)	(12,154)
Investments	8	<u>(539)</u>	<u>(56)</u>
Total expected credit losses		<u>(19,961)</u>	<u>(6,368)</u>
Total operating expenses		<u>(181,720)</u>	<u>(141,720)</u>
Income for the period before zakat		74,381	49,108
Zakat charge	15	<u>(12,988)</u>	<u>(2,287)</u>
Net income for the period		<u>61,393</u>	<u>46,821</u>
Earnings per share (expressed in SAR per share)			
Basic and diluted earnings per share	16	<u>0.08</u>	<u>0.06</u>

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

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

	2022 (Unaudited) SAR '000	2021 (Unaudited) SAR '000
Net income for the period	61,393	46,821
Other comprehensive income:		
<i>Items that will not be reclassified to the statement of income in subsequent periods:</i>		
- Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVOCI)	59,856	16,814
Other comprehensive income	<u>59,856</u>	<u>16,814</u>
Total comprehensive income for the period	<u><u>121,249</u></u>	<u><u>63,635</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

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

<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 three-month period ended</u> <u>31 March 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	-	-	-	46,821	46,821
Other comprehensive income for the period	-	-	16,814	-	16,814
Total comprehensive income for the period	-	-	16,814	46,821	63,635
Transfer from fair value reserve to accumulated losses	-	-	19,814	(19,814)	-
Consideration paid in excess of net assets acquired of a subsidiary (note 5)	-	-	-	(66,229)	(66,229)
Balance at 31 March 2021	7,500,000	1,753	27,646	(472,840)	7,056,559

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 THREE MONTH PERIOD ENDED 31 MARCH**

	Note	2022 (Unaudited) SAR '000	2021 (Unaudited) SAR '000
OPERATING ACTIVITIES			
Income before zakat for the period		74,381	49,108
Adjustments to reconcile income before zakat to net cash flow used in operating activities:			
Depreciation and amortisation		7,845	8,594
Depreciation of right-of-use assets		5,791	7,186
Expected credit losses on investments		539	56
Expected credit losses charge / (reversal) on loans and advances		18,467	(5,842)
Expected credit losses on financial contingencies and commitments		955	12,154
Gains on FVSI investments		(43,711)	(30,916)
Gains on other financial instruments		(4,384)	(3,421)
Interest expense on lease liabilities		2,641	2,894
		<u>62,524</u>	<u>39,813</u>
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		22,543	(287,736)
Due from banks and other financial institutions		-	29
Positive fair value of derivatives		(6,769)	49,417
Loans and advances		3,417,158	(1,920,849)
Other assets		(36,065)	35,916
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(1,110,557)	(645,720)
Negative fair value of derivatives		(37,833)	(37,381)
Customers' deposits		(2,062,106)	1,913,134
Other liabilities		118,430	(51,147)
		<u>367,325</u>	<u>(904,524)</u>
Net cash from / (used in) operating activities			
INVESTING ACTIVITIES			
Purchase of investments		(1,056,233)	(1,776,223)
Maturity/proceeds from sale of investments		1,385,407	109,837
Acquisition of a subsidiary, net of cash and cash equivalents acquired	5	-	(77,429)
Purchase of furniture, fixtures, equipment and intangible assets		(8,939)	(9,048)
		<u>320,235</u>	<u>(1,752,863)</u>
Net cash from / (used in) investing activities			
Net increase / (decrease) in cash and cash equivalents			
		687,560	(2,657,387)
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><u>6,545,371</u></u>	<u><u>6,406,826</u></u>

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 627 as at 31 March 2022 (31 December 2021: 616 and 31 March 2021: 581) excluding outsourced employees.

The registered address of the Bank's head office is: Gulf International Bank - Saudi Arabia P.O. Box 39268, Dhahran, 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 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"):

<u>Name of subsidiary</u>	<u>Ownership interest % held by</u>				<u>Country of incorporation</u>
	<u>Owners of the Bank</u>		<u>Non-controlling interests</u>		
	<u>31.03.22</u>	<u>31.12.21</u>	<u>31.03.22</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 Saudi Equity Fund (c)	69.68	80.19	30.32	19.81	Kingdom of Saudi Arabia
GIB Saudi Equity Fund (c)	90.91	92.34	9.09	7.66	Kingdom of Saudi Arabia
GIB Opportunistic Mena Equity Fund (d)	99.86	99.93	0.14	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 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 58 as at 31 March 2022 (31 December 2021: 55 and 31 March 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 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.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group as at and for the period ended 31 March 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), in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the by-laws of the Bank. 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
(AMOUNTS IN SAR '000)

2. BASIS OF PREPARATION (continued)

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, in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the by-laws of the Bank. The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand unless otherwise indicated.

The interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and amounts are rounded to the nearest thousand unless otherwise indicated.

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

New standards, interpretations and amendments adopted by the Group

The following standards, interpretations or amendments are effective from 1 January 2022 and are adopted by the Group, however, these do not have a material impact on the interim condensed consolidated financial statements of the period unless otherwise stated below:

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 may 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 elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	Effective 1 April 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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

	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 THREE-MONTH PERIOD ENDED 31 MARCH 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 significant 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 non-current, 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 THREE-MONTH PERIOD ENDED 31 MARCH 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.
Amendment to IAS 12- deferred tax related to assets and liabilities arising from a single transaction.	These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.	Annual periods beginning on or after 1 January 2023.

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, except for amendments effective 1 January 2022 as disclosed in note 3.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 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 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):

	<u>SAR '000</u>
<u>Consideration paid in cash</u>	256,717
<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)	<u>(179,288)</u>
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)

	31.03.22	31.12.21	31.03.21
	(Unaudited)	(Audited)	(Unaudited)
Money market placements with SAMA	<u>3,158,869</u>	3,424,952	5,652,000
Statutory deposits	<u>1,534,978</u>	1,557,521	1,384,868
Cash in hand	<u>27,213</u>	19,350	39,024
Current account	<u>2,803</u>	2,659	10,485
	<u><u>4,723,863</u></u>	<u>5,004,482</u>	<u>7,086,377</u>

6.1 Money market placements with SAMA represents overnight reverse repo placement with SAMA that matured on 3 April 2022 (31 December 2021: 2 January 2022 and 31 March 2021: 1 April 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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7. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Current accounts	558,421	535,685	505,789
Money market placements	2,828,110	1,905,210	229,544
	<u>3,386,531</u>	<u>2,440,895</u>	<u>735,333</u>

The above includes Shariah based balances amounting to SAR 960 million (31 December 2021: SAR 50 million and 31 March 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, therefore, no expected credit losses have been considered.

8. INVESTMENTS

a) Investment securities are classified as follows:

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Investments held at amortised cost - gross (8g)	5,024,383	5,362,744	4,341,187
Less: expected credit losses (8h)	(1,600)	(1,061)	(771)
Investments held at amortised cost - net (8d)	5,022,783	5,361,683	4,340,416
Investments held at FVSI (8e)	249,163	205,155	255,381
Investments held FVOCI (8f)	359,501	299,644	300,314
	<u>5,631,447</u>	<u>5,866,482</u>	<u>4,896,111</u>

b) Investment securities include Shariah based investments as follows:

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Investments held at amortised cost	3,347,435	3,058,080	2,632,253
Investments held at fair value through statement of income	109,866	88,994	106,741
	<u>3,457,301</u>	<u>3,147,074</u>	<u>2,738,994</u>

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

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Government and quasi government	4,044,366	4,467,870	3,699,516
Corporate	1,334,004	1,188,420	936,857
Banks and other financial institutions	254,677	211,253	260,509
Less: expected credit losses	(1,600)	(1,061)	(771)
	<u>5,631,447</u>	<u>5,866,482</u>	<u>4,896,111</u>

d) Investments held at amortised cost (AC)

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

31 December 2021 (Audited)	Quoted	Unquoted	Total
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>

31 March 2021 (Unaudited)	Quoted	Unquoted	Total
Debt securities - fixed-rate securities	3,860,596	65,540	3,926,136
Debt securities - floating-rate securities	415,051	-	415,051
Less: expected credit losses	(636)	(135)	(771)
	<u>4,275,011</u>	<u>65,405</u>	<u>4,340,416</u>

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8. INVESTMENTS (continued)

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

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Mutual funds	219,014	180,256	201,235
Equity investments	30,149	24,899	54,146
	<u>249,163</u>	<u>205,155</u>	<u>255,381</u>

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

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Equity investments	<u>359,501</u>	<u>299,644</u>	<u>300,314</u>

The FVOCI designation was made on the basis that the investments are expected to be held for the long-term for strategic purposes. There were no disposals of investments during the year.

The Following table shows the reconciliation from opening balances to the closing balances for level 3 fair value of FVOCI investments:

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (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:

	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Total
31 March 2022 (Unaudited)			
Balance at 1 January 2022	5,362,744	-	5,362,744
Transfer between the stages	-	-	-
Total transfers	-	-	-
Net change	(338,361)	-	(338,361)
Balance at 31 March 2022	<u>5,024,383</u>	<u>-</u>	<u>5,024,383</u>
31 December 2021 (Audited)			
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>-</u>	<u>5,362,744</u>
31 March 2021 (Unaudited)			
Balance at 1 January 2021	2,567,251	-	2,567,251
Transfer between the stages	-	-	-
Total transfers	-	-	-
Net change	1,773,936	-	1,773,936
Balance at 31 March 2021	<u>4,341,187</u>	<u>-</u>	<u>4,341,187</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
 FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022
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8. INVESTMENTS (continued)

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

	Stage 1 (12- month ECL)	Stage 2 (lifetime ECL but not credit- impaired)	Total
31 March 2022 (Unaudited)			
Balance at 1 January 2022	1,061	-	1,061
Transfer between the stages	-	-	-
Net remeasurement of loss allowance	539	-	539
Balance at 31 March 2022	<u>1,600</u>	<u>-</u>	<u>1,600</u>
31 December 2021 (Audited)			
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>-</u>	<u>1,061</u>
31 March 2021 (Unaudited)			
Balance at 1 January 2021	715	-	715
Transfer between the stages	-	-	-
Net remeasurement of loss allowance	56	-	56
Balance at 31 March 2021	<u>771</u>	<u>-</u>	<u>771</u>

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9. LOANS AND ADVANCES

a) Loans and advances are classified as follows:

31 March 2022 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	18,698,848	326,552	1,093,338	20,118,738
Non-performing loans and advances	590,591	-	3,072	593,663
Loans and advances, gross	19,289,439	326,552	1,096,410	20,712,401
Less: expected credit losses	(552,489)	(247)	(21,325)	(574,061)
Loans and advances, net	18,736,950	326,305	1,075,085	20,138,340
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
31 March 2021 (Unaudited)	Commercial loans	Overdrafts	Retail loans	Total
Performing loans and advances	18,510,655	1,234,307	754,629	20,499,591
Non-performing loans and advances	804,885	-	1,406	806,291
Loans and advances, gross	19,315,540	1,234,307	756,035	21,305,882
Less: expected credit losses	(574,371)	(1,036)	(17,667)	(593,074)
Loans and advances, net	18,741,169	1,233,271	738,368	20,712,808

Total loans and advances include Shariah based loans and advances amounting to SAR 14.3 billion (31 December 2021: SAR 16.2 billion; 31 March 2021: SAR 13.2 billion).

b) Reconciliation of gross carrying amounts:

31 March 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	22,349,026	1,204,609	578,072	24,131,707
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(137)	137	-	-
Transfer to Stage 3	-	(14,237)	14,237	-
	(137)	(14,100)	14,237	-
Written-off during the period	-	-	(1,193)	(1,193)
Net change during the period	(3,465,817)	45,157	2,547	(3,418,113)
Balance at 31 March 2022	18,883,072	1,235,666	593,663	20,712,401

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2021	17,546,331	1,045,771	793,615	19,385,717
Transferred from financial contingencies and commitments (note 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

31 March 2021 (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 2021	17,546,331	1,045,771	793,615	19,385,717
<i>Transfers during the period</i>				
Transfer to Stage 1	(42,164)	42,164	-	-
Transfer to Stage 2	25,406	(25,406)	-	-
Transfer to Stage 3	-	(31,286)	31,286	-
	(16,758)	(14,528)	31,286	-
Written-off during the period	-	-	(684)	(684)
Net change during the period	1,959,779	(21,004)	(17,926)	1,920,849
Balance at 31 March 2021	19,489,352	1,010,239	806,291	21,305,882

c) Reconciliation of expected credit losses:

31 March 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	61,364	171,311	324,112	556,787
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(9)	9	-	-
Transfer to Stage 3	-	(3,212)	3,212	-
	(9)	(3,203)	3,212	-
<i>Charge/(reversal) during the period</i>				
Corporate	(965)	5,153	13,304	17,492
Retail	(258)	641	592	975
	(1,223)	5,794	13,896	18,467
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(1,193)	(1,193)
	-	-	(1,193)	(1,193)
Balance at 31 March 2022	60,132	173,902	340,027	574,061

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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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 but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
Balance at 1 January 2021	90,097	73,230	436,273	599,600
Transferred from financial contingencies and commitments (note 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

31 March 2021 (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 2021	90,097	73,230	436,273	599,600
	-	-	-	-
<i>Transfers during the period</i>				
Transfer to Stage 1	(996)	996	-	-
Transfer to Stage 2	157	(7,127)	6,970	-
Transfer to Stage 3	-	-	-	-
	(839)	(6,131)	6,970	-
<i>Charge/(reversal) during the period</i>				
Corporate	2,834	841	(7,571)	(3,896)
Retail	(1,169)	(7)	(770)	(1,946)
	1,665	834	(8,341)	(5,842)
<i>Written-off during the period</i>				
Corporate	-	-	-	-
Retail	-	-	(684)	(684)
	-	-	(684)	(684)
Balance at 31 March 2021	90,923	67,933	434,218	593,074

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

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Corporate	17,492	51,246	(3,896)
Retail	975	6,705	(1,946)
Total	18,467	57,951	(5,842)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Current accounts	23,708	17,508	54,857
Money market deposits	1,192,652	2,309,409	1,620,138
	<u>1,216,360</u>	<u>2,326,917</u>	<u>1,674,995</u>

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 that the Group is expected to incur in deferring the payments as disclosed in note 19.

11. CUSTOMERS' DEPOSITS

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Demand	12,816,754	12,205,446	12,126,850
Time	11,341,567	13,553,411	11,033,055
Saving	475,408	382,178	537,262
Others	540,625	1,095,425	584,338
	<u>25,174,354</u>	<u>27,236,460</u>	<u>24,281,505</u>

Time deposits include deposits taken under non-interest-based contracts (Shariah based deposits) amounting to SAR 8,299 million (31 December 2021: SAR 10,366 million; 31 March 2021: SAR 8,828 million).

12. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS

The Group utilises the following derivatives and foreign exchange financial instruments for both trading and hedging purposes:

a) Swaps

Swaps are commitments to exchange one set of cash flows for another. For commission rate swaps, counterparties generally exchange fixed and floating rate commission payments in a single currency without exchanging principal. For cross-currency commission rate swaps, principal, fixed and floating commission payments are exchanged in different currencies.

b) Forwards

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specified price and date in the future. Forwards are customised contracts transacted in the over-the-counter markets.

c) Options

Options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, to either buy or sell at a fixed future date or at any time during a specified period, a specified amount of a currency, commodity or financial instrument at a pre-determined price.

Held for hedging purposes

The Group has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Group's exposures to fluctuations in foreign exchange and commission rates to reduce its exposures to currency and commission rate risks to acceptable levels, as determined by the Board of Directors ("the Board") within the guidelines issued by SAMA. The Board has established the levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board has also established the level of commission rate risk by setting limits on commission rate gaps for stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis, and hedging strategies are used to reduce commission rate gaps within the established limits.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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12. DERIVATIVES AND FOREIGN EXCHANGE INSTRUMENTS (continued)

Held for hedging purposes (continued)

As part of their asset and liability management, the Group uses derivative financial instruments for hedging purposes in order to adjust their own exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against the overall statement of financial position exposures. Strategic hedging, other than portfolio hedging for commission rate risk, does not qualify for special hedge accounting and the related derivative financial instruments are accounted for as held for trading purposes. The Group uses commission rate swaps to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. In such cases, the nature of the hedging relationship and objectives, including the details of the hedged items and hedging instruments, are formally documented, and the transactions are accounted for as fair value hedges.

The table below summarises 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 period-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Group's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

31 March 2022 (Unaudited)

	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	106,766	(106,389)	10,682,662
Currency swaps	-	-	-
Futures and options	73,033	(69,796)	5,255,815
Forward foreign exchange	2,812	(3,081)	2,658,631
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	22,775	(2,873)	1,162,334
Commission rate swaps - deposits	-	(2,704)	430,000
	<u>205,386</u>	<u>(184,843)</u>	<u>20,189,442</u>

31 December 2021 (Audited)

	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	144,529	(142,563)	10,836,866
Currency swaps	-	-	-
Commission rate futures and options	46,376	(46,377)	5,157,569
Forward foreign exchange contracts	3,922	(4,915)	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>

31 March 2021 (Unaudited)

	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
<u>Held for trading</u>			
Commission rate swaps	201,128	(203,084)	9,201,650
Currency swaps	-	-	39
Commission rate futures and options	37,179	(53,738)	1,785,992
Forward foreign exchange contracts	6	(6)	1,033,636
<u>Held as fair value hedge</u>			
Commission rate swaps - loans	527	(30,295)	799,542
Commission rate swaps - deposits	155	(74)	1,613,240
	<u>238,995</u>	<u>(287,197)</u>	<u>14,434,099</u>

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13. CONTINGENCIES AND COMMITMENTS

a) Legal proceedings

As at 31 March 2022, there were no significant legal proceedings outstanding against the Group which requires a disclosure or provision.

b) Credit related contingencies and commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Guarantee and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans and advances. Cash requirements under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect the third party to draw funds under the agreement.

Documentary letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are generally collateralised by the underlying shipments of goods to which they relate, and therefore have significantly less risk. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of authorisations to extend credit, principally in the form of loans and advances, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than the total unused commitment as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

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

	31.03.22	31.12.21	31.03.21
	(Unaudited)	(Audited)	(Unaudited)
Letters of credit	1,906,777	2,103,368	1,587,135
Letters of guarantee	9,697,630	9,684,494	8,241,662
Acceptances	1,338,420	727,557	1,028,800
Irrevocable commitments to extend credit	3,673,288	3,411,525	1,292,065
	<u>16,616,115</u>	<u>15,926,944</u>	<u>12,149,662</u>

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

ii) Reconciliation of exposure of financial contingencies and commitments:

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 March 2022 (Unaudited)				
Balance at 1 January 2022	11,067,892	4,449,425	409,627	15,926,944
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	-	-	-	-
Net change during the period	678,394	16,147	(5,370)	689,171
Balance at 31 March 2022	11,746,286	4,465,572	404,257	16,616,115
	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	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	11,067,892	4,449,425	409,627	15,926,944
	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 March 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	(19,263)	19,263	-	-
Transfer to Stage 3	-	-	-	-
	(16,177)	16,177	-	-
Net change during the period	95,746	(92,625)	(8,592)	(5,471)
Balance at 31 March 2021	7,301,631	4,366,591	481,440	12,149,662

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13. CONTINGENCIES AND COMMITMENTS (continued)

- iv) Reconciliation of expected credit losses on financial contingencies and commitments disclosed under other liabilities in the consolidated statement of financial position:

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL but not credit-impaired)	Stage 3 (lifetime ECL credit-impaired)	Total
31 March 2022 (Unaudited)				
Balance at 1 January 2022	8,723	6,060	123,412	138,195
<i>Transfers during the period</i>				
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
	-	-	-	-
(Reversal) / charge during the period	2,636	118	(1,799)	955
Balance at 31 March 2022	11,359	6,178	121,613	139,150
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
31 March 2021 (Unaudited)				
Balance at 1 January 2021	10,633	10,060	183,222	203,915
<i>Transfers during the period</i>				
Transfer to Stage 1	8	(8)	-	-
Transfer to Stage 2	(48)	48	-	-
Transfer to Stage 3	-	-	-	-
	(40)	40	-	-
(Reversal) / charge during the period	(649)	(194)	12,997	12,154
Balance at 31 March 2021	9,944	9,906	196,219	216,069

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14. CASH AND CASH EQUIVALENTS

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Cash and balances with			
Saudi Central Bank (SAMA) excluding statutory deposit	3,188,885	3,446,961	5,701,509
Due from banks and other financial institutions with			
original maturities of three-months or less	3,356,486	2,410,850	705,317
	6,545,371	5,857,811	6,406,826

Cash and balances with SAMA includes statutory deposits of SAR 1,535 million (31 December 2021: SAR 1,588 million and 31 March 2021: SAR 1,385 million).

Due from banks and other financial institutions includes amounts with original maturities of more than three-months amounting to SAR 30.05 million (31 December 2021: SAR 30.05 million and 31 March 2021: SAR 30.05 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 12.99 million for the period ended 31 March 2022 (31 March 2021: SAR 2.3 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 year ended 31 December 2020. However, no assessments have been raised by ZATCA.

GIB Capital Company

In 2016, the Company obtained an approval from ZATCA for an exemption to pay zakat. Accordingly, the Company has not considered zakat for the years from 2016 to 2021.

Status of assessments

The Zakat returns for the years from 2008 till 2020 have been submitted to 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 31 March 2022 comprised 750 million shares (31 December 2021 and 31 March 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 31 March 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:

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

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

Determination of fair value and fair value hierarchy

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

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

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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.

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

At 31 March 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	359,501	353,403	-	6,098	359,501
Investments held at FVSI	249,163	249,163	-	-	249,163
Positive fair value of derivatives	205,386	-	205,386	-	205,386
<u>Financial assets not measured at fair value:</u>					
Investments at amortised cost, net	5,022,783	-	3,354,051	1,640,052	4,994,103
Loans and advances, net	20,138,340	-	-	20,907,988	20,907,988

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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 31 March 2021 (Unaudited)					
At 31 March 2021 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value:					
Investments held at FVOCI	300,314	295,186	-	5,128	300,314
Investments held at FVSI	255,381	255,381	-	-	255,381
Positive fair value of derivatives	238,995	-	238,995	-	238,995
Financial assets not measured at fair value:					
Investments at amortised cost, net	4,340,416	-	4,249,551	164,736	4,414,287
Loans and advances, net	20,712,808	-	-	21,001,089	21,001,089
At 31 March 2022 (Unaudited)					
At 31 March 2022 (Unaudited)	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities measured at fair value:					
Negative fair value of derivatives	184,843	-	184,843	-	184,843
Financial liabilities not measured at fair value:					
Customers' deposits	25,174,354	-	-	24,887,236	24,887,236

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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	
<u>Financial liabilities measured at fair value:</u>					
Negative fair value of derivatives	222,676	-	222,676	-	222,676
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	27,236,460	-	-	26,655,901	26,655,901

At 31 March 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	287,197	-	287,197	-	287,197
<u>Financial liabilities not measured at fair value:</u>					
Customers' deposits	24,281,505	-	-	24,040,617	24,040,617

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 daily by the Group's management. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted assets at or above the agreed minimum of 8%.

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

The following table summarizes the Group's Pillar-I risk weighted assets, Tier I and Tier II Capital and Capital adequacy ratios.

	31.03.22 (Unaudited)	31.12.21 (Audited)	31.03.21 (Unaudited)
Risk Weighted Assets (RWA)			
Credit risk RWA	29,958,517	31,574,014	27,934,177
Operational risk RWA	1,361,785	1,091,745	1,091,745
Market risk RWA	556,870	466,786	588,537
Total Pillar-I RWA	31,877,172	33,132,545	29,614,459
Tier I capital	7,198,270	7,079,286	7,056,559
Tier II capital	253,171	248,519	179,475
Total Tier I & II Capital	7,451,441	7,327,805	7,236,034
Capital adequacy ratios %			
Tier I ratio	22.58%	21.37%	23.83%
Tier I + Tier II ratio	23.38%	22.12%	24.43%

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19. IMPACT OF SAMA PROGRAMS

During 2020 and 2021, the Coronavirus ("COVID-19") pandemic disrupted global markets as many geographies experienced issues due to identification of multiple new variants of this infections. Significant improvement have been witnessed around the world after vaccination of mass population by various countries resulting in the reduction of active cases and relaxation of COVID restrictions.

The Group continues to evaluate the current macroeconomic situation including the impact of the pandemic and resultant government and SAMA support measures to date, such as repayment holidays and other mitigating packages, have had on the financing portfolio along with conducting review of credit exposure concentrations at a more granular level with particular focus on specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

Management overlay as at 31 March 2022 amounted to SAR 22.9 million (31 December 2021: SAR 22.9 million).

Private Sector Financing Support Program

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to eligible (Stage 1 and Stage 2) Micro Small and Medium Enterprises ("MSME") as defined by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H. 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 PSFSP program has ended on 31 March 2022.

In order to compensate the related cost that the Group had incurred under the SAMA and other public authorities program, during 2020 and 2021, the Group received multiple profit free deposits from SAMA of varying maturities, which qualified as government grants and were accounted for as such.

The Group continues to believe that in the absence of other factors, participation in the deferment program on its own, is not considered a significant increase in credit risk for assessment of ECL on its MSME portfolio. The Group has performed an assessment with respect to SICR for the customers covered under the DPP program and has not recorded additional overlay during the period.

During the period ended 31 March 2022, SAR 0.03 million (31 March 2021: SAR 3.3 million) has been recognised in the consolidated statement of income with respect to the amortisation of grant income on related deposits with an aggregate of SAR 12.9 million deferred grant income as at 31 March 2022 (31 December 2021: SAR 12.9 million).

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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. As at the period end below is the exposures impacted by LIBOR:

USD LIBOR		Non-derivative financial	
31 March 2022 (Unaudited)	Non-derivative financial assets' carrying value	liabilities' carrying value	Derivatives nominal amount
LIBOR USD (1 month)	191,401	-	-
LIBOR USD (3 months)	236,146	30,000	2,699,557
LIBOR USD (6 months)	295,599	-	2,075,250
	723,146	30,000	4,774,807

USD LIBOR		Non-derivative financial	
31 December 2021 (Audited)	Non-derivative financial assets' carrying value	liabilities' carrying value	Derivatives nominal amount
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 27 April 2022G (corresponding to 26 Ramadan 1443H).