2022

GiB

FINANCIAL REPORT

31 DECEMBER 2022

Gulf International Bank (UK) Limited

Company number: 1223938

Contents

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General Information

Directors

The directors at the date of this report are:

Abdulaziz Al-Helaissi (Chair)
John Xefos
Turki AlMalik
Katherine Garrett-Cox
Gary Withers
Dr Abdullah AL-Abdul Qader (Resigned 29 June 2022)
Ralph Campbell
Miriam Greenwood
Abdulla Mohammed Alzamil (Appointed 1 September 2022)
Soraya Chabarek (Appointed 1 September 2022)
Jamal Ali AL Kishi

Auditors

Ernst & Young LLP
25 Churchill Place,
London,
E14 5EY,
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Registered Office

First Floor,
One Curzon Street,
London,
W1J 5HD,
United Kingdom

Strategic Report

1.1 About this Report

This report forms the 2022 Annual Report and Accounts of GIB (UK) Ltd. In addition, it provides the foundation for future integrated reports that will combine our sustainability progress with future Annual Reports.
This report explains how the organisation creates, preserves and erodes value over time. It is for the benefit of all our stakeholders, including shareholders, employees, clients, suppliers, regulators and local communities.

1.2 Basis for reporting and preparation

This report covers Gulf International Bank (UK) Ltd ("GIB (UK)"). It does not include any other parts of the GIB group. This is because the GIB (UK) and its subsidiaries, form a standalone business from its parent, is governed by its own Board of Directors, with its own capital base, and is regulated as such by both the PRA and the FCA.

The reporting period is 1 January 2022 to 31 December 2022.

The previous GIB (UK) Annual Report and Financial Statements were published for the year 2021.
Sustainability Reports are published at the GIB Group level on an annual basis.

1.3 External Assurance

The financial statements are subject to an audit. It was conducted by Ernst & Young LLP. Policies are in place to safeguard the independence of the external auditors.

1.4 Approvals

The GIB (UK) Board of Directors are responsible for this report.

The Board understands that it is responsible for ensuring the integrity of the Annual Report. In order to ensure the integrity of the Report, robust internal governance was established around the development of the Report. This included a cross-functional team being set up to prepare the report, led by the Head of Financial Planning & Analysis. A Steering Group, chaired by the Chief Financial Officer and comprising the Head of Strategy & Governance and the Chief Risk & Compliance Officer, was established to oversee the work of the team, and an internal review process was followed. The final Report was reviewed and challenged by the Board Audit and Risk Oversight Committee and approved by the Board of Directors. The Report was prepared in line with GIB (UK)'s Disclosure Policy.

Ralph Campbell

Ralph Campbell, Director and Chief Financial Officer
22 March 2023

CEO Report

I am delighted to introduce this Annual Report.

Towards integrated reporting

This report combines information on financial performance with our wider impacts on people, the planet and the stakeholder system. We have used the Integrated Reporting Framework as a guide in preparing this report, and have benefited from input from the IFRS Sustainability Alliance to make progress towards fully integrated reporting. We welcomed the International Sustainability Standard Board's (ISSB) 2022 consultation on two proposed standards; one setting out general sustainability-related disclosures, the second specifying climate-related disclosures. We intend to move towards these new ISSB's standards over time.

This report should be read alongside other key GIB publications. GIB (UK) is proud to be part of the wider GIB Group, details of which may be found in their respective Annual Reports and Sustainability Reports. We have reported in line with the Taskforce for Climate-related financial disclosure for number of years at GIB (UK), and provide other governance-related disclosures and policy statements.

2022 Business highlights

2022 has been a highly successful year for GIB (UK).

Our Treasury and Banking business significantly out-performed expectations. Our Treasury Business is mature, with clients dating back over decades and proved itself well-positioned to navigate, and find opportunities in, 2022's environment of rising interest rates and increased market volatility. Feedback from clients continued to be excellent, and it was welcome that we were able to travel to them following the complete removal of pandemic-related restrictions.

Our Asset Management index business continued to deliver good outcomes and provide top quality service for our clients.

In 2022, we launched three new sustainability-centred active management products for our clients. The Sustainable World Corporate Bond Fund (Article 9 under the European Sustainable Finance Disclosure Regulation) and the Emerging Markets Active Engagement Fund (Article 8) were launched in Q2 and Q3 respectively with the Amundi UCITS Fund Partners ICAV, an Irish domiciled fund. We also began to offer our European Focus strategy (Article 8) to clients, and will launch this exciting new product in UCITS Fund format in early 2023.

Our sustainability partnerships

We have partnered with a number of institutions looking to create widespread, lasting change through our Sustainability Advisory team. The overarching aim is to help organisations adjust (and capitalise) on the transition towards sustainable development. By offering a range of services including – but not limited to – sustainable finance solutions, collaboration on joint research, advanced training programmes, assistance in disclosure and reporting, and guidance in establishing or enhancing sustainable business aspects, we aim to help organisations to advance their sustainability agendas. We have participated in many multi-stakeholder collaborations in order to advance sustainability goals, covering diverse areas such as net zero, humanitarian and resilience investing, growth of voluntary carbon markets and nature-related initiatives.

We continued to be a thought leader in 2022. We regularly published thought pieces on sustainability-related issues, such as greenwashing, the role of active engagement, obesity, and sustainable banking. We are extremely proud of the members of our team who were invited to speak at globally-recognised events centred on sustainability in 2022.

People & culture

With work being such a huge part of our lives, it is difficult to live a meaningful life without meaningful work. Therefore, a positive workplace is an essential ingredient in making work feel meaningful, valuable and purposeful.

We have transformed our culture into one that reflects the identity and values of our organisation. Our culture is built on the principles of Equity, Diversity, Inclusivity, Transparency and Safety, and underpinned by a solid sense of community and mutual respect. Some of the key initiatives in 2022 were: growth in firm-wide volunteering activity; inaugural well-being week held; regular coverage of mental health subjects including neurodiversity, disability and occupational burnout and our reverse mentoring scheme.

We believe that our positive workplace culture helps enable us to attract and retain talent, drives engagement, impacts happiness and satisfaction, and has a material impact on the business' performance.

Katherine Garrett-Cox

Katherine Garrett Cox, CEO GIB (UK)
22 March 2023

2.1 Purpose and strategy

Our business comprises a mature Treasury & Banking function, an established indexation business and a nascent active asset management business focused on sustainable investment strategies. At a high level, our strategy is to maintain and enhance our two mature businesses whilst pursuing a significant growth effort in our newer active investment function. This reflects our assessment of client demand, our view about our differentiation / positioning relative to competitors, and the financial opportunity for our clients in transition investment opportunities whether it be relating to the solutions to challenges facing people and the planet or those relating to business transformation and unlocking investee potential. Further, we believe there is an opportunity for us to make a positive impact on the world through these endeavours.

The unifying foundation across all our business lines is the focus on delivering good outcomes for our stakeholders. For our clients, that means: acting in good faith; avoiding causing foreseeable harm; enabling and supporting clients to pursue their objectives, both financial and non-financial. For our shareholder, this means delivering strong financial performance for the medium term, recognising that a significant investment has been made in building the active asset management business. For our colleagues, this means offering rewarding work, fair compensation and opportunities to achieve individual career objectives. For society and the planet, we aim, through our investments and how we operate as a business, to contribute to sustainable development goals.

GIB (UK) Purpose:

To create value for our stakeholders by:

- Providing a set of treasury and related services, delivered with the utmost reliability, confidentiality and tailored to the needs of our clients
- Delivering good outcomes for our asset management clients, meaning that GIB AM is a recognised leader in sustainable investing

GIB (UK) Vision:

- To be the preferred treasury services provider for GCC-based entities transacting internationally, and vice versa, within our target market
- To scale and mobilise significant capital in support of sustainable development

GIB (UK) Mission:

- We want to be trusted and relied upon by our Treasury and Banking clients, offering a uniquely personalised, strategic, platinum-quality service
- To enable our AM clients to achieve good outcomes from the transition to a more sustainable world

Our goal is to scale our business by:

1. **Treasury & Banking**: Deepening our relationship with current Treasury & Banking clients, adding new clients, and enhancing balance sheet management
2. **Asset-raising**: Enhancing our distribution capability by widening and deepening our reach
3. **Performance**: Building superior track records across our investment capabilities
4. **Scale**: Ensuring we have fully scalable, institutional strength investment services for our asset management business
5. **People & Culture**: Investing in our people and culture, with a focus on transparency, diversity & inclusion and wellbeing

2.2 About GIB (UK)

Established in 1975, GIB (UK) is a private limited company and London-based wholesale commercial bank and asset manager. GIB (UK) has a New York branch, established in 1983.

The parent company, Gulf International Bank BSC ("GIB BSC") is headquartered in the Kingdom of Bahrain. GIB BSC is a group based in Bahrain with a principal subsidiary in Saudi Arabia with branches in Abu Dhabi, London and New York in addition to a representative office in Dubai.

GIB BSC is predominantly owned by the Public Investment Fund of Saudi Arabia. The remaining member states of the Gulf Cooperation Council (consisting of Bahrain, Kuwait, Oman, Qatar and United Arab Emirates) are minority shareholders. GIB (UK) is authorised by the Prudential Regulation Authority (PRA) and regulated by both the PRA and the Financial Conduct Authority (FCA). GIB (UK) is also registered as an Investment Advisor with the US Securities and Exchange Commission. GIB (UK) New York branch is supervised by the Federal Reserve and its regulator is the Office of the Comptroller of the Currency.

2.3 Products and Services

2.3.1 Treasury

Treasury & Banking activity largely consists of taking deposits from institutional clients based primarily in the "GCC" and placing those funds in short-dated money market instruments and an investment portfolio, the provision of foreign exchange services for clients and letters of credit advisory work.

2.3.2 Asset Management

The asset management business trades under the name GIB Asset Management ("GIB AM"). It consists of the management of equity and fixed income discretionary portfolios for institutional clients based largely in the GCC. Its main expertise lies within global equities, emerging market & European equities and Fixed Income, and indexation strategies. GIB AM takes a responsible approach to all investment strategies, incorporating Environmental, Social and Governance (ESG) factors and actively engaging with investee companies where possible. We are pleased to announce that two of our Funds are qualified with Article 9 status under the Sustainable Finance Disclosure Regime.

2.4 Markets and clients

Geographically, the primary market for GIB (UK) is the Gulf region (the 'GCC'). That includes clients based in the region, and those transacting with it.

GIB (UK) focuses on institutional clients, both for the Treasury and Asset Management businesses.

One of GIB (UK)'s strategic goals is to expand and diversify its client base. In particular, GIB (UK) wants to raise the profile of its asset management business in Europe as its secondary market. This will remain a key priority for the business over the coming years.

2.5 External environment

2022 trends

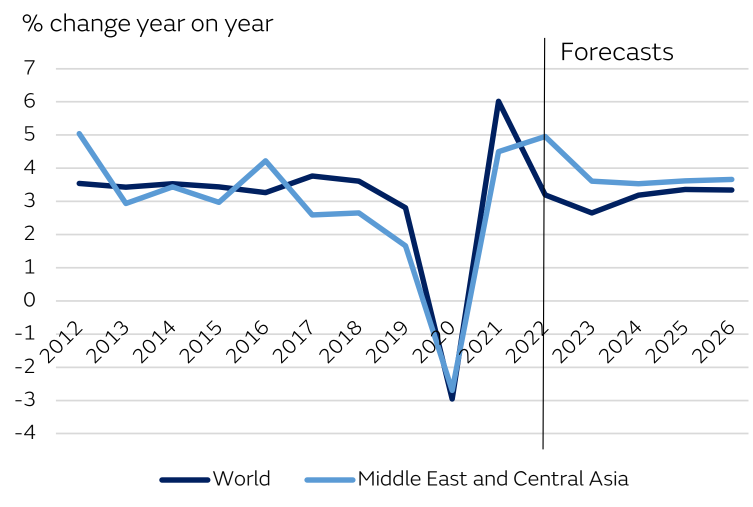
- GDP growth moderated in 2022, after the strong rebound from depths of the global pandemic in 2021 (Chart A). Within that, growth in GIB's home region was stronger than in the world as a whole. In turn, that strength in part related the elevated price of oil and gas, especially in H1, linked to Russian's invasion of Ukraine and resultant dislocation in energy markets. Geopolitical tensions remained apparent in many regions.

- Consumer price inflation picked up sharply over 2022, to over 8% globally and nearly 10% in emerging markets (Chart B). Energy prices made a large contribution to these increases, but the increases also reflected wider factors including global supply bottlenecks, the impacts of past loose monetary and fiscal policy, and tight labour markets.
- Many central banks tightened monetary policy over the year. For example, the Federal Funds rate rose from only 0.25% to over 3% by year end, with smaller increases in both the UK and Euro Area (Chart C).
- Global markets weakened over 2022. There were marked declines across the major equities indices, for example with the MSCI World down nearly 18% (Chart D). Returns in Fixed Income were also weak, especially in US investment grade. This acted to erode the strong starting position of global assets under management going into 2022 (Chart E).
- Asset flows into sustainable investments were reported to have held up well over the year, especially to funds with the highest credentials with respect to how they integrate sustainability factors into decision-making
- Progress against the global sustainable development goals was mixed in 2022. With respect to climate change, according to the UN, the latest data indicate that the world is on track for a temperature risk of between 2.4C and 2.6C by the end of this century, well above that set out in the Paris Agreement. Overall, there remains significant progress still to make against the goals.
- UK regulators continued to drive a heavy agenda of regulatory enhancements across the sector. Particular areas of focus for the Prudential Regulatory Authority for international banks were: financial resilience; operational risk and resilience; financial risks arising from climate change; diversity & inclusion; risk-free rate transition; and regulatory reporting.

Outlook

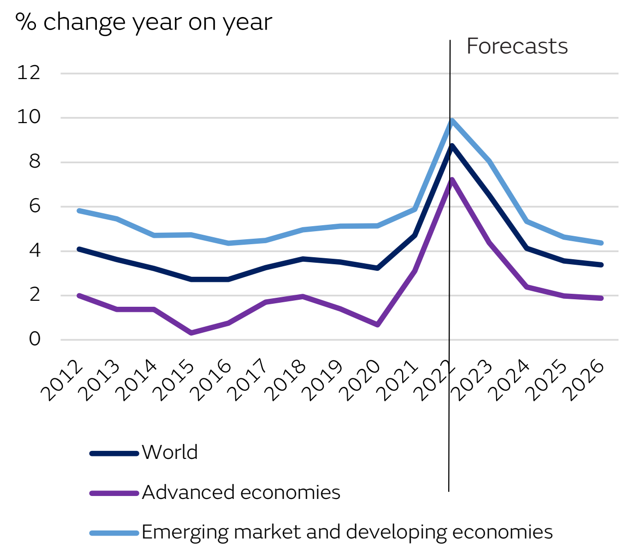
- The macroeconomic environment is highly uncertain, but the IMF expects growth to remain fairly steady and for inflation to normalise in the next few years (Chart B). While 2022 saw weakness in demand stemming from China, with sluggish growth from Covid restrictions and property sector debt issues, there was a U-turn in the former in December. China began reopening rapidly following the Party Congress, with likely very significant impacts to come across markets.
- Interest rates in the US, UK and Euro area are expected to peak in the next year or so, loosening thereafter. At end-December 2022, for example, US Treasury 10-year rate expectations were around 3%, whereas the 2-year figure was over 4%. The shape of the yield curve will remain an important driver of GIB (UK)'s business, and so this, alongside spreads and volatility, are monitored carefully.
- 2022 saw general commodity price strength, but many sector analysts expect to see 2023 still strong for oil but much weaker for gas. A mild winter has European gas demand weakening rapidly, and LNG supplies continue to surprise to the upside.
- It remains to be seen how much stocks and bonds have pre-empted macro-economic troubles in 2023, but we are particularly positive on the case for investing in credit as at January 2023.
- According to PwC's Asset and Wealth Management Revolution 2022 report, asset managers globally are expected to increase their ESG-related assets under management (AuM) to US$33.9tn by 2026, from US$18.4tn in 2021. With a projected compound annual growth rate (CAGR) of 12.9%, ESG assets are on pace to constitute 21.5% of total global AuM in less than 5 years. Consistent with that, we anticipate that demand for sustainable investment strategies will strengthen in the coming year. With the European Sustainable Finance Disclosure Regulation (SFDR) coming into effect, we anticipate a greater emphasis by managers on how they are holding themselves to rigorous standards.
- Particular areas of focus for the Prudential Regulatory Authority for international banks in 2023 were: financial resilience; operational risk and resilience; financial risks arising from climate change; data; and diversity, equity & inclusion.

Chart A: GDP (constant prices)



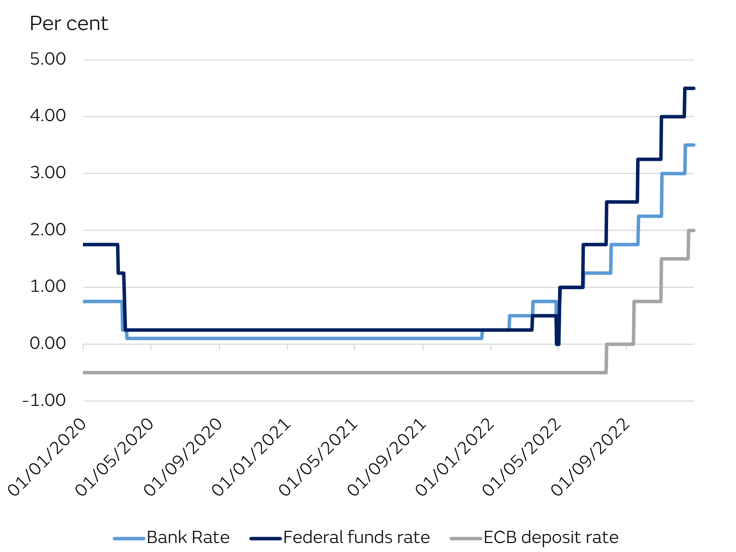
Source: International Monetary Fund, October 2022

Chart B: Inflation (Average consumer prices)



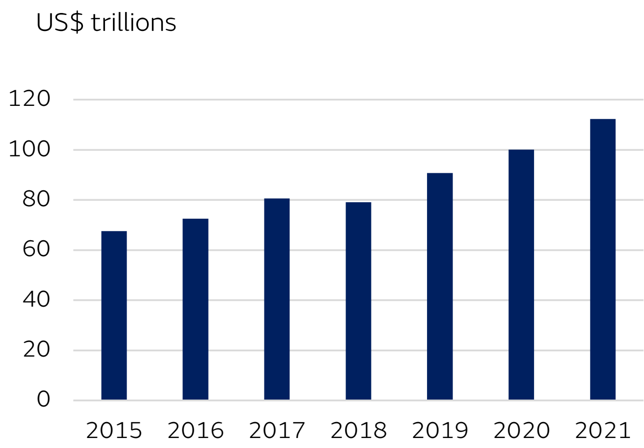
Source: International Monetary Fund, October 2022

Chart C: Interest rates



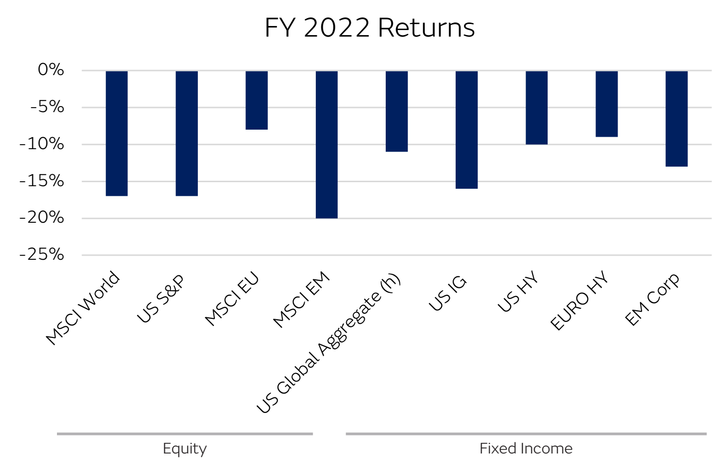
Source: Bloomberg

Chart D: Global assets under management



Source: Statista

Chart E: Asset Markets



Source: Bloomberg

2.6 GIB Asset Management

GIB (UK)'s asset management activities are conducted under the brand name of GIB Asset Management.

2.6.1 2022 Achievements

We launched the GIB AM Emerging Markets Active Engagement Fund and GIB AM Sustainable World Corporate Bond Fund in August and September 22 respectively.

Our GIB AM Sustainable World Fund reached its 1-year track record with performance across the majority of portfolios comfortably above the stated benchmarks. Despite declines in equity and fixed income indices, inflation, rising rates and recession fears, which have impacted Fund performances, from a returns standpoint Global Sustainable World Equity Fund has done well relative to its peers.

Both the GIB AM Emerging Markets Active Engagement Fund and GIB AM Sustainable World Corporate Bond Fund have shorter track records. It is however pleasing to note that to date both have delivered strong returns against benchmarks and relative to peers.

2.6.2 Asset Management assets

GIB takes a responsible approach to all investment strategies, incorporating ESG factors and actively engaging with investee companies.

Assets under management have decreased to just over $9.4 billion (Dec 21 $11.4 bn).

Inflation and Central bank actions will continue to be the chief driving force for markets in 2023, and the on-going World Wide geopolitical turmoil which is especially acute with the Russian invasion of Ukraine could very well continue to have a major impact in 2023 and potentially beyond. It is not possible to accurately predict what the ultimate impact will be, and this certainly remains a key risk. Unsurprisingly, investor confidence has slumped globally.

2.6.3 Asset Management Products:

An overview of our strategies and funds:

GIB AM Sustainable World Fund

- Founding Principle: The greatest profits belong to the companies that can provide solutions to the world's greatest challenges facing both People and the Planet
- Differentiation: Investment process defines and track 20 "Mega Themes" and more than 50 "Sub Themes"
- Example: Road Safety is a Sub Theme. According to the WHO, road traffic accidents are the number 1 cause of death for 5-29 years, the investment process aims to identify investable solutions to solve this challenge
- Process: Companies are identified and assessed to determine their potential to deliver sustainable financial returns through their positive impact on the 50 sub-themes.

GIB AM Emerging Markets Active Engagement Fund

- Founding Principle: A differentiated, core, active Emerging Market strategy. Re-defining what true active management means
- Differentiation: Incorporate the tool of engagement across the portfolio – working alongside portfolio companies - to drive a change in company characteristics, unlocking hidden value in the process
- Process: The focus is on 1) Operational, strategic, capital allocation engagement to improve compounding power of a company and 2) Governance alongside material social and environmental improvements to reduce the implied cost of capital drives a re-rating in valuations

GIB AM Sustainable World Corporate Bond Fund

- Founding Principle: Delivering compelling long-term returns whilst investing in the most resilient businesses that are addressing our greatest challenges
- Differentiation: Relatively few fixed income strategies can deliver strong returns and the opportunity to invest sustainably
- Customised benchmark of 60% Global IG, 20% Global HY, 20% EM Corps provides investors with a more accurate representation of the global corporate bond opportunity set and risk profile (in comparison to a standard benchmark that would exclude HY and EM)
- Process: Framed by the same approach to global themes as Sustainable World Fund, but expressed through the corporate bond market valuations

European Focus Equity

- Founding Principle: Long-run stock market returns are driven by a small number of exceptional companies. The fund aims to identify these businesses and own them over a meaningful time-frame
- Differentiation: Highly focused on understanding corporate culture as a key source of competitive advantage when assessing a business's potential and sustainability
- Purpose: A philosophy that incorporates two of the most powerful forces in investment:
  Compounders: Own a small group of companies that demonstrate strong cultures allied to a robust business model and excellent economics
  Quality Value: Supplement the above with nearer-term mispricing opportunities where the market has overlooked fundamentally improving businesses
- Process: The focus is on:
  1. Outputs (physical capital): Sustainably above-average ROCE, high conversion ratio of profits to cash flow, reinvestment potential at strong incremental rates of return
  2. Inputs (human capital): Corporate culture defined by a clear, motivating vision, purpose & values; a drive for progress; empowerment & accountability; knowledge-building & talent development; protecting future generations.

Equity Index Strategies

- Founding Principle: Cost-effective approach to achieving global equity and fixed income exposure via a range of replication strategies
- Differentiation: Extremely tight tracking error targets through continuous index and portfolio monitoring
- Process: Bespoke portfolios created for each client's risk parameters, return requirements and ethical considerations

2.7 Treasury

Treasury Team proved itself well-positioned to navigate and find opportunities in an environment of rising interest rates and market volatility. 2022 has been a unique year of unprecedented central bank tightening of monetary policy on a global scale, constantly outpacing market expectations. Treasury positioned themselves to benefit in this type of environment resulting in record revenues exceeding $56m.

Client service remains our key differentiator. Client feedback has been universally strong. This is due to a combination of the Treasury team ensuring they have a high level of face to face interaction with Clients, high quality output from the Operations team and a number of staff members who have worked with these clients, in some cases, for up to 30 years.

Average monthly deposits for the year were $13.6 billion. Client deposits afford us a favourable liquidity position, which we have successfully utilised on both a strategic and an opportunistic basis to deliver satisfactory returns in the most challenging of conditions.

2022 saw excellent returns delivered by our FX business, with the exotics currencies being particularly strong.

2.8 Looking forward to 2023

Treasury faces an uncertain outlook for 2023 with the on-going uncertainty over the Russia/Ukraine situation, if rapid rise in inflation will recede and how Central Banks will react. All these matters make it a challenging environment for the Treasury Business. We believe Treasury is well-placed to thrive given the very strong liquidity and a Team which has a combined several decades of experience. We will continue our efforts to deepen and nurture existing client relationships to ensure that Treasury continues to perform strongly.

Asset Management is expected to be a strong contributor to the growth of the business as we move forward. Asset Management's strategies are now in place, underpinned by solid proprietary foundations that we have been building for the past three years. Delivering strong investment performance in these products over the next three and five years will be critical. Now we have the investment teams are in place, we have taken steps in 202 to extend our distribution capabilities. We have made significant progress in connecting with clients to discuss their investment requirement and how our Asset Management products could deliver both their investment and sustainability needs. Our discussions have principally been in the Gulf and local banking relationships are proving helpful.

3. Performance

3.1 Statement from the CFO

During 2022 we have continued to focus on the growth of our Asset Management business. We have successfully launched two new funds, the GIB AM Emerging Markets Active Engagement Fund, and the GIB AM Sustainable World Corporate Bond Fund. These products have complemented our existing GIB AM Sustainable World Fund that was launched in 2021. In 2023 we will continue to add to our product range.

2022 saw the start of the war in Ukraine, which resulted in increased uncertainty and volatility in the global markets. As a result of this our Assets Under Management fell from 2021 $11.4bn to 2022 $9.4bn. Despite these challenges we continue to remain positive in our distribution strategy and the ability to gain Assets Under Management from new clients.

Our Treasury and Banking businesses continue to make a strong contribution to our Income at GIB (UK). With the balance sheet remaining robust, we have used our liquidity available to us to manage our balance sheet effectively and maximise the returns available. The yield curve conditions have recovered from a challenging 2021, and to reduce the effects of inflation the Central Banks have made a number of interest rate increases. This has therefore enabled us to increase the returns available in the marketplace through our placements activity and our depositors. The market would appear to be making a positive recovery since the Covid pandemic, which is reassuring. Our FX business also produced excellent returns. The 2023 outlook remains uncertain, with the economy still recovering from inflationary increases, however it is hoped that the markets will start to stabilise as the year progresses.

The deposits from customers and banks decreased slightly from $10.1bn to $9.7bn during the year. Regulatory capital and liquidity measures remain strong.

3.2 Financial performance

The overall profit after tax for the year was $7.1mn (2021: $6.9mn loss) which was principally due to the success of our Treasury business who successfully navigated the challenging market conditions. Also with Central Bank interest rate increases throughout 2022, we have been able to increase the income on our capital. These factors resulted in our Income increasing from $30.7m to $61.8m during the year. The higher levels of income was partially offset by the increase in our cost base due to the continued investment to grow our Asset management function.

	2022 US$ mn	2021 US$ mn	Change %
Net Interest Income	38.5	12.1	297%
Operating Income	23.3	18.6	-25%
Operating Expenses	-52.7	-43.1	-22%
Impairment ROU asset	-	-1.2	
Profit/ (Loss) before Tax	9.1	-13.6	167%
Tax	-2.0	6.7	
Profit / (Loss) after tax	7.1	-6.9	
Shareholders' equity	418.7	406.9	
Average number of employees	101	81	

Key financial performance indicators	Description	2022	2021
Total deposits	Measure of GIB (UK)'s deposits from customers and banks	$9.7bn	$10.1bn
Total AUM	Total Assets Under Management	$9.4bn	$11.4bn
Tier 1 capital ratio	Measure of GIB (UK)'s financial strength, expressed as a ratio of total capital to risk weighted assets	23.3%	19.7%

The directors do not recommend a payment of a dividend for 2022 (2021: Nil).

3.3 Non-financial performance

GIB (UK) sets targets for a range of non-financial KPIs, linked to its business objectives and aligned with its stakeholders' requirements. These KPIs are grouped into the following areas: clients, internal processes, risk & compliance, and learning & development. The KPIs are cascaded into individual employees' objectives, including those for Executive Directors. These KPIs are monitored at least on a quarterly basis by executive management.

Area	Objective	KPI	Further details and commentary	2022 Actual (Target)
Clients	Asset Management product breadth	Total number of investment strategies launched. Covers both strategies and funds	A strategic goal is to diversify the products / services being offered. This has progressed very well over 2022, with only a slight delay in product launches experienced	4 (5) *
Clients	Breadth of clients	Total number of clients. Covers both Treasury and Asset Management business	A key strategic goal is to diversity our number of clients. Good progress was made over 2022, but there remains further to go	Redacted**
Clients	Investment performance that delivers / exceeds client expectations	Performance for each mandate and fund vs relevant comparison e.g. mandate expectations / benchmark / peers	Delivery of strong investment performance in line with /better than client expectations is critical for our asset management business, as measured over appropriate investment horizons. Performance has been mixed across asset classes.	Redacted**
Internal	To improve our ESG rating	Completion of sustainability disclosures (e.g. Sustainability reporting, TCFD reporting)	Part of our commitment is to improve transparency for our stakeholders, and we have published all disclosures as planned	100% (100%)
Internal	To achieve satisfactory audit	Rating and completion rates of audit reports/ findings	GIB (UK) has a robust system of risk management and controls, but there have been some delays experienced to implementing audit findings over 2022	66% (100%)
Internal	To enhance Diversity & inclusion	Female ratio for job interviews	GIB (UK) demonstrates equality for gender when recruiting, aiming to hire the best and suitable talents available. Although we have fallen short of our 50% target for females at the interview stage over 2022 as a whole, the proportion has risen over the year	44% (50%)
Internal		Disclosure rates for challenges (e.g. mental or physical)	GIB (UK) aims to create an environment in which employees feel safe to discuss their challenges; improving disclosure is linked to our commitments to support disability as members of the Valuable 500. We met our disclosure target in 2022	3 (3 or more employees sharing their challenges)
Internal		Disclosure rates for ethnicity	In 2022, we were unable to set targets for ethnic diversity because insufficient data was available was available on the baseline position. However, in 2022 disclosure rates increased significantly above the target	81% (55% disclosure rate)
Internal		Internships supporting individuals from socio economically disadvantaged backgrounds	We aim to provide opportunities to those from socio economically disadvantaged backgrounds. We met our target in 2022	3 (3)
Risk & Compliance	To maintain a high standard of conduct	Number of confirmed conduct breaches	GIB (UK) seeks to mitigate conduct risks as part of its risk management and focus on maintaining an effective culture, and the breach rates remained very low	<5% (</=5% of number of employees)
Learning & development	To ensure the bank is managing its risk effectively	Policies, procedures and Risk Control Self-Assessment (RCSA) completed and up-to-date*	Keeping policies, procedure and assessments up to date is important for sound risk management. Completion rates tracked a little behind target in 2022	87% (95%)
Learning & development	To become an employer of choice	Employee engagement score	High engagement helps ensure we are delivering good outcomes for our colleague stakeholder group. Engagement was a little lower than our ambitious target in 2022	75% (80%)

* Defined as number of funds launched
** Outturns not specified, as it has been judged that this would be prejudicial to the interests of the company. List is not a complete set of the non-financial KPIs that are monitored

3.3 Non-financial performance (continued)

In addition to the above KPIs, we monitor our commitments against the initiatives of which we are members. For example, since 2021, we committed to the Net-Zero Asset Managers Initiative (NZAM). NZAM is an international group of asset managers committed to supporting the goal of Net Zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. We monitor our progress against the commitments made, both in terms of the proportion of assets being managed in line with net zero, and the carbon intensity of our portfolios. We made disclosures to that effect via the CDP platform in 2022.

3.3.1 Greenhouse gas emissions information

To comply with the Streamlined Energy & Carbon reporting we disclose our carbon emissions.
For details of emissions at a group level, see the Sustainability Report.

GIB (UK) emissions	Data gathered/ consumption	2019 tCO2e	Data gathered/ consumption	2020 tCO2e	Data gathered/ consumption	2021 tCO2e	Data gathered/ consumption	2022 tCO2e
Scope 1	Refrigerants: N/A grams of refrigerant	N/A	Refrigerants: 4.94 kilograms of leaked refrigerant	3.33[1]	Refrigerants: 8.96 kilograms of leaked refrigerant	3.83	Refrigerants: 8.94 kilograms of leaked refrigerant	3.82
Scope 2								
Electricity consumed in office and in data recovery (DR) sites	Office: kWh 235,845.33 DR site: kWh 51,240	73.37	Office: kWh 232,169.730[2] DR site: kWh 10,637.07	63.3	Office: kWh109,534[2] DR site kWh: 12,494.84	34.1	Office: kwh 135,345[2] DR site kwh:12,715.36[3]	37.2
Scope 3								
Employee business travel[4]	Employee commute: 181,614.78 KM in total Taxi journeys: 3,175.6 KM Flights: 814,815.7 KM Hotel stays: 298 nights in total	409.94	Employee commute[5]: 41,844.2 KM in total Taxi journeys:1,341.1 KM Flights: 115,549.29 KM Hotel stays: 74 nights in total	60.9	Employee commute: 60,778 KM in total Taxi journeys: 1,560.7 KM Flights: 417,339.9 KM Hotel stays: 181 nights in total	194.89	Employee commute: 132,512.7 KM in total Taxi journeys: 5,755.5 KM Flights: 1,054,685.2 KM Hotel stays: 524 nights in total	477.84
Total		482.32		127.57		232.79		518.84
Intensity ratio: tCO2e / FTE[5]		5.82		1.64		2.71		4.94

Note: Data as at 24 February 2023.
[1] Only includes refrigerants as GIB (UK) does not have any company owned cars.
[2] Electricity bills are provided by building management. No account was taken of home use.
[3] DR site emissions estimated for the year estimated using Q1 data as a proxy. This is because full yearly data was not available due to DR site provider going into administration, and new provider not providing the data.
[4] Includes emissions from employee commute, taxis, flights and hotel stays only. Average commute time provided by the Department of Transport was used to estimate travel kilometres, and employee method of travel was assumed to be in line with London average. Assumptions were made for number of days working from home. Taxi km were estimated using the GBP amount spent on taxis. Estimates used based on London black cab pricing. Hotel night emission factor depends on hotel country location. Where country emission factors were not available, estimates were used.
[5] Based on the following staff numbers: 83 (2019), 78 (2020), 86 (2021) and 109 (2022).

Quantification and reporting methodology

2020 data was calculated using the 2019 HM Government Reporting Guidelines, GHG Reporting Protocol – Corporate Standard, and the 2020 UK Government's Conversion Factors for Company Reporting. For 2021 and 2022, the Guidance for the Financial Services industry was used. Scope 3 does not include financed emissions. For the detailed methodology, see our Carbon Emissions Reporting Framework.

The chosen intensity measurement was gross emissions in metric tonnes CO2e per full-time equivalent. This metric was selected because the size of the office relates to the number of colleagues, and business travel is also linked to the number of colleagues, although the amount of travel varies considerably by team.

There were no restatements of prior years' data.

Change in emissions

GHG emissions increased by sharply between 2021 and 2022. This almost entirely reflected an increase in business travel (Scope 3 emissions). In turn, that was due to a combination of an increase in office-based working, and hence employee commute, and business travel. Business travel reflected: collaboration with other parts of the GIB Group; visits to clients; business development trips; and investment research and engagement activity. Whilst part of the pickup in 2022 versus 2021 likely reflected catch-up from the period of travel restrictions during the pandemic, it was also due to the growth in GIB (UK)'s business. As discussed elsewhere in this report, growing the asset management business is a strategic priority for GIB (UK), and that requires both on-the-ground investment research and engagement activities, but also trips to engage with prospective clients. We have found that prospective clients have a greater preference for in-person meetings as part of their engagement with GIB than we had anticipated.

GHG emissions intensity increased by less than absolute emissions.

Targets and future plans

The outturns for GHG emissions in 2022 put us further away from our 2030 targets than in the previous two years, both on an absolute and intensity basis (Charts X & Y). However, within that, Scope 2 emissions remain on-target, remaining around 50% below the 2019 baseline. This reflects the investment we made in moving to a new energy-efficient SKA Gold-rated office in 2020.

Our priority looking ahead is on minimising our Scope 3 emissions, whilst balancing that against the desire to build a successful business. As well as those factors directly in our control, such as encouraging the use of virtual meetings and selecting less carbon intensive flight options, we follow developments on sustainable aviation and will look to engage with such efforts as part of our investment and advisory activity, where possible.

As in previous years, we work with high-quality accredited carbon offset providers to offset those measured carbon emissions that we have been unable to eliminate, resulting in an overall net zero footprint for GIB (UK) (excluding financed emissions).

Chart X: Greenhouse gas emissions by scope
CO2e

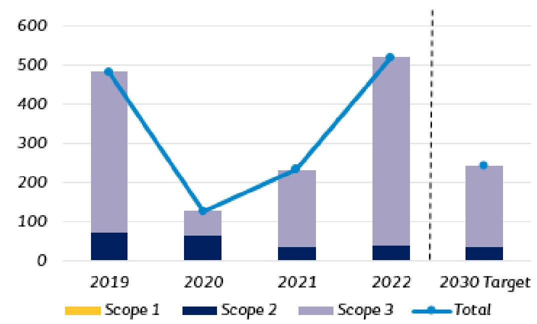
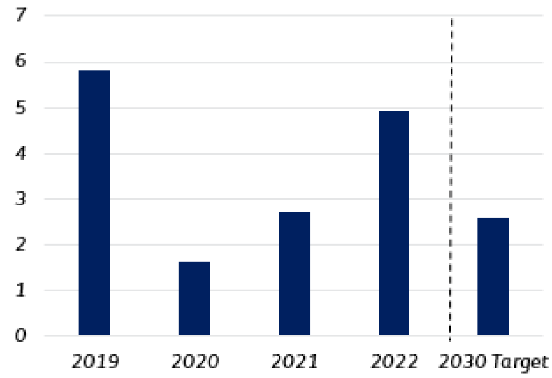


Chart Y: Greenhouse gas emissions intensity
CO2e per employee



Sources of charts: GIB (UK)

3.4 Value Creation at GIB (UK)

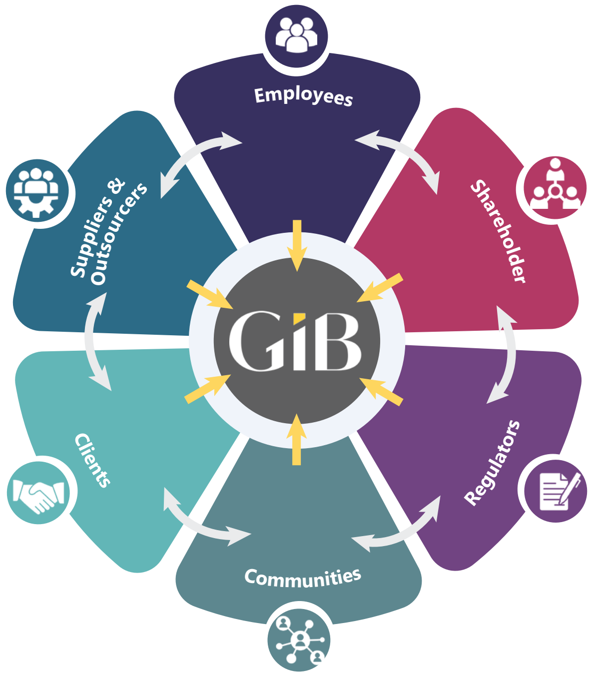
Financial Capital	Human Capital	Manufactured Capital	Intellectual Capital	Natural Capital	Social Capital

Capital inputs	Capital metrics	Outcomes	Long-term value for our stakeholders
Financial capital Composed of the financial resources available to us and one of the most significant capitals in the banking sector.	•Balance sheet averaging >$10bn in 2022 (2021: $10.4bn) •Assets under management of >$9bn at 31 Dec 2022 (2021: $11.5bn)	•Strong balance sheet in line, with capital in excess of regulatory requirements •Returns delivered by some equity investment mandates / funds were weak, as overall market fell sharply	Clients (Treasury, Asset Management) Employees Shareholder Regulators Suppliers & Outsourcing Community
Human capital Our people are critical to GIB (UK)'s work and strategy, with their skills, knowledge, experience and passion creating value and innovation.	•101 colleagues as at 31 Dec 2022 (2021: 86) •A differentiated culture (see Section 4.10) •We spent $273k on training and skills development in 2022 (2021: $254k)	•Training & development provided to some clients •Regretted leaver rate of 4 colleagues as at 31 Dec 2022 (2021: 9) •Employee engagement score of 75% (2021: 79%) •Share of females at interviews stage 44%, helping to contribute to target of 50% female by 2030 •Improved rates of disclosure around ethnicity & disabilities / challenges	Clients Employees Shareholder Regulators Suppliers & Outsourcing Community
Social and relationship capital Relationships between communities, stakeholders and networks, how we share information, enhance individual and collective wellbeing through our shared values and behaviours	•9 memberships and partnerships •9 volunteering activity	•Excellent feedback from clients on Treasury & banking service quality •Increased volume of clients •Published report aligned with Task-force for Climate-related Financial Disclosures •GIB Group published its first Sustainability Report in 2022	Clients Employees Shareholder Regulators Suppliers & Outsourcing Community
Manufactured capital Our physical, material and technological resources; we ensure efficient technology, hardware, software with replication and remote support	•Launched 2 new UCITS Funds [2021: 1] •Invested in our technology platform across Treasury and Asset Management •10 change projects completed in 2022	•Enhanced service offering to clients	Clients Employees Shareholder Regulators Suppliers & Outsourcing Community
Natural capital Renewable and non-renewable environmental resources and processes that support the current and future prosperity of our organisation and the planet	•2 Article 9 Funds under EU SFDR Regulation (hence with specific environmental criteria embedded) •SKA Gold rated office •7.57% increase of CO_2 emissions in 2022 relative to 2019 (2021: -50%)	•Carbon-neutral in operations •Prepared first Impact Report for UCITS Fund range •High share of assets under management tracking main-stream indices rather than explicitly being managed in line with net zero goals	Clients Employees Shareholder Regulators Suppliers & Outsourcing Community
Intellectual capital Intangibles that provide us with a competitive advantage, associated with brand and reputation	•High calibre investment & Treasury teams •+867 followers on LinkedIn (2021: +915) •34 media articles (2021: 42)	•Improved brand profile for GIB (UK) •12 thought-leadership articles published (2021: 12) •Some skills gaps experienced over 2022	Clients Employees Shareholder Regulators Suppliers & Outsourcing Community

Key: Value creation, value preservation, value erosion

3.5 Stakeholders and Value Creation

A key enabler for the Bank to be successful over the long term is to build and maintain successful relationships with a wide range of stakeholders.



	Clients	Employees	Shareholder
Description	The quality of our relationships with our clients was assessed by taking into account the services provided to them, and performance against expectations. Extremely high levels of satisfaction was seen in our Treasury & banking clients. Feedback from asset management clients was more mixed, in part reflecting the challenging market conditions and overall lower markets. Overall: Good	The quality of relationships with employees was measured through employee engagement responses, the volume of training and support provided, staff activities such as mental health programme, volunteering, social and community activities. Employee attrition rate was also considered, as was health & safety. We aim to be a responsible and enlightened employer with regards to compensation, benefits and terms and conditions of employment. Overall: Excellent	GIB (UK) has a sole shareholder – the parent – and the quality of the relationship is assessed through regular interaction and feedback. The shareholder was primarily focused on financial capital performance in 2022. Overall: Good
Their needs and expectations	-Delivery in line with their requirements -Innovative products that meet their needs today and into the future -Minimal operational errors / issues -Responsiveness to issues and queries -Support for their training requirements, including with respect to ESG matters	-Opportunities to have a positive impact for people and the planet -Investment in skills and development -Challenging work, with opportunities for development and progression -Appropriate culture, including ones that embeds diversity & inclusion -Fair remuneration, effective performance management and recognition	-Financial returns, attractive and sustainable growth strategy -See the positive results from past investment in building the asset management business -Strong and experienced management -Transparent, balanced, clear reporting and disclosure
Ways we engage	-Regular discussions & feedback -Regular written updates -Webinar series	-Colleague Representative Group -Regular teams meetings and written communication	-Represented on the GIB (UK) Board; -Strong links at management and working level through Bank Committees and informal discussions;
Metrics	-Client feedback is gathered in qualitative form only. This remained excellent in 2022, and we will continue to focus on delivering good outcomes for clients over 2023 consistent with the Consumer Duty requirements (see section on Regulator) -KPI for the time taken to respond to client requests, consistent with our mission of delivering high-quality bespoke services to our clients -Client and prospect engagements are tracked on a regular basis -Data collection on the number of research article downloads and webinar views.	-Colleague Representative Group -Regular teams meetings and written communication	-Represented on the GIB (UK) Board; -Strong links at management and working level through Bank Committees and informal discussions;
Capitals impacted	Financial Social and relationships Intellectual Natural	Human Intellectual Social and relationship	Financial

	Regulators	Suppliers & out-sourcing	Communities
Description	Regulators play an important role in safe-guarding the firm through their supervision and guidance, helping us to build resilience. With their objective of reducing systemic risk, they make our interbank transactions safer and therefore help us preserve financial capital. The quality of our relationship with regulators is based on feedback from our engagement with them, and our ability to deliver against regulatory expectations. Overall: Good	The quality of our relationship with our suppliers and out-sourced relationships is assessed through service level agreements (where in place), and otherwise informal feedback mechanisms Overall: Variable by supplier / out-sourced provider	The quality of our relationships with our communities is assessed through feed-back and engagement levels with those organisations. Overall: Variable by type of community
Their needs and expectations	-PRA and FCA remain critical stakeholders for GIB (UK), and we monitor their priorities closely and deliver activities in line with their requirements. -The FCA has increased its focus on Con-sumer Duty – delivering good outcomes for clients. Although technically GIB (UK) currently falls out of scope with these regu-lations, as it does not directly service retail clients, we have nonetheless reviewed the regulations and aim to implement these in full over time. -Demonstrating our compliance with the EU's Sustainability Financial Disclosure Regulation (SFDR) has been a priority for us in 2022 -The Central Bank of Bahrain indicated that it would be putting in place disclosure regu-lation relating to ESG issues in 2023 H1	-Suppliers aim to provide us with products and services that meet our needs and those of wider so-ciety, whilst also supporting their own stakeholders -We need to have a graduated approach to deal with suppliers of different sizes	-Collaboration with industry partners typically focus on specific goals (e.g. net zero) -We engage with local communities through a set of targeted initiatives, and through our volunteering schemes, which provide employees with opportunities to make a real difference. -GIB (UK) is part of the local commu-nity in the City of London, a member of several industry bodies, and part of an international community that seeks to encourage the delivery of the Sustainable Development goals
Ways we engage	-Regular meetings -Regular data / information submissions, -Receiving and attending visits on specific topics -Working groups, such as the Climate Finan-cial Risk Forum -Receipt of information / guidance	-All suppliers have a business owner who manages the relationship on an on-going basis	-GIB (UK) engages with a range of initiatives, depending on the types of communities and their needs
Metrics	-We make a qualitative assessment on our regulatory standing as part of monitoring our Risk Appetite Statement -Regulatory breaches tracking -Fines, as part of the Key Risk Indicators	-The Business Risk Committee and Audit and Risk Oversight Committee collect and monitor a full set of KPIs relating to outsourcing to the Group. -As of the 31st December 99% of invoices have been paid within the payment terms. GIB (UK) con-tinue to monitor the late payments through the R&C dashboard on a monthly basis. -ESG assessments. As part of our supplier Code of Conduct, we assess suppliers who meet certain thresholds on their ESG credentials, and have a floor in place whereby low-scoring entities would not be on-boarded	-Tracking of the number of volunteering days taken by colleagues in support of our community activity. -Philanthropic contributions by col-leagues are recorded, if through the company's matched funding scheme.
Capitals impacted	Financial Intellectual Social and relationships Natural	Financial Intellectual Manufactured Natural	Social and relationships Human Natural

3.6 Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Directors consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Bank for the benefit of its shareholder, and with regards to all its stakeholders and matters set out in s 172 (a-f).

Likely consequences of any decision in the long term (s172a)

The Board reviews and approves the five-year business plan and monitors its implementation throughout the year. The plan is determined with a view to promoting the long-term sustainable profitability of the business; such considerations are integral to goals set out in the plan, the design of the strategy, and how the plan is to be implemented. As part of the review process, the Directors consider the long-term consequences of the plan, looking beyond the horizon outlined in the document. They also consider how the Bank's culture and values have been incorporated in the plan.

The interests of the company's employees (s172b)

As referenced in section 3.5, The Board understands that the Bank's employees are fundamental to the long-term success of the Bank: it is through the efforts and commitment of our colleagues that we are able to fulfil our purpose as an organisation. Diversity, Equity and Inclusion is also a key area of focus (see section 4.11).

Fostering the company's business relationships with suppliers, customers and others (s172c)

The Board recognises that, for the Bank to be successful over the long term, it is important to build and maintain successful relationships with a wide range of stakeholders and for the Board to understand the views of key stakeholders.

The Bank has identified its main stakeholders (see section 3.5), but acknowledges that there will be differentiation within the identified groups, and that the stakeholders are likely to change depending on the nature of the issue under consideration and over time. Some groups are likely to be more important than others for specific decisions, and there are likely to be trade-offs between the needs and wants of different groups. The Bank seeks to engage with all stakeholders in a meaningful way, but taking into consideration their level of interest in the decision and the likely net impact of them. The Bank aims to track and measure stakeholder engagement.

The impact of the company's operations of the community and environment (s172d)

The Bank takes into consideration both its direct and indirect environmental impacts (see section 3.3 and section 3.4), and considers the impact of its operations on the community in which it operates.

Maintaining a reputation for high standards of business conduct (s172e)

The Bank ensures compliance with the requirements of legislation and maintenance of its reputation for high standards of business conduct in its decision-making process. Acting with integrity is one of our desired behaviours (see section 4.10).

The need to act fairly between members (s172f)

The Bank is owned by a sole shareholder, so the requirement to act fairly between members is not applicable. The Board ensures that matters are referred to the sole shareholder in line with the Articles of Association and relevant statutory requirements.

3.7 Future prospect

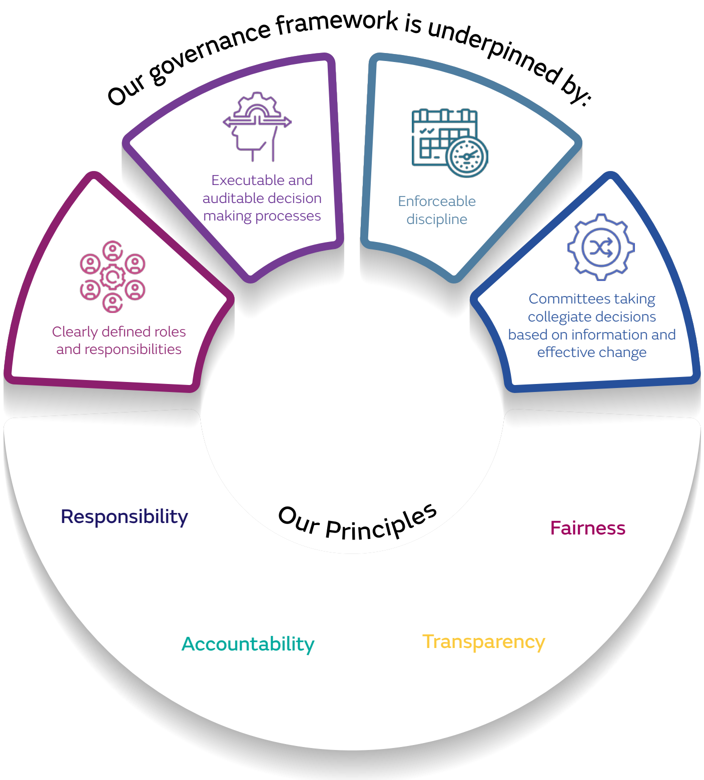
Market conditions in 2022 provided significant support to the profitability of our Treasury business, and we believe that this is likely to continue into 2023 albeit to a lesser extent. Largely reflecting that, our forecasted financial position for the next five years is more optimistic than envisaged a year ago. However, the outlook for the Treasury business remains highly sensitive to Client behaviour, macroeconomic conditions and we do not see a significant long-term growth potential in the Treasury business, as it is already fully mature.

We will continue to invest in our active asset management business through allocating seed capital to the funds and providing resourcing support while team track records are built. We are focused on building the investment base in 2023, but recognise that many investors will require a longer track record. It remains uncertain how much of a barrier this will be to building AUM over the next year or so, but we are confident that we will be able to build our business over the medium term, given the high calibre of the investment teams and their ability to deliver good client outcomes. By 2026, we envisage having a $15bn+ asset management business, the majority of growth deriving from our new active strategies and Funds.

We have conducted scenario analysis to help inform our strategic decision making, and road-test the robustness of our strategy to future developments. In particular, we have used a range of climate scenarios to test the resilience of our strategy to climate change. For further details, see our Taskforce for Climate-related Financial Disclosures reports. Overall, the analysis reinforced to us the importance of taking climate change risks seriously. We believe that our business strategy is well-designed for taking advantage of the investment opportunity presented by companies looking to drive the transition to a more sustainable economic approach.

Governance

This section of the Strategic Report should be read with reference to the Directors report.



4.1 Board composition and members

Table 1: Board composition

Non-Executive Director	Classification	Date of Joining Board
Abdulaziz Al-Helaissi Chair	Non-independent Non-Executive	July 2016
John Xefos	Non-independent Non-Executive	May 2012
Turki Al-Malik	Independent Non-Executive	March 2016
Gary Withers Senior Independent Director Chair of Audit and risk Oversight Committee	Independent Non-Executive	December 2018
Abdulla Al Zamil	Non-independent Non-Executive	September 2022[1]
Miriam Greenwood Chair of Nomination and Remuneration Committee	Independent Non-Executive	September 2020
Jamal Al-Kishi	Non-independent Non-Executive	June 2021
Soraya Chabarek	Independent Non-Executive	September 2022
Katherine Garrett-Cox	Executive	October 2017
Ralph Campbell	Executive	January 2019

[1]Abdulla Al-Zamil re-joined the board in September 2022

4.1.1 Board independence

Four of our ten board members are Independent Non-Executives, Turki Al-Malik, Gary Withers, Miriam Greenwood and Soraya Chabarek. All independent Non-Executive are independent in terms of their character and judgement.

4.2 Board & Executive diversity

We believe that having a diverse Board plays a crucial role in improving the decision-making process. Our Board members provide a diverse set of skills, knowledge and backgrounds.

The Board has committed to diversity targets in line with 2022 FCA Policy Statement, even though GIB (UK) does not fall within the scope of the requirements. The targets are:

- At least 40% of the board are women (including those self-identifying);
- At least one of the senior Board positions[2] is a woman;
- At least one member of the Board is from a non-White ethnic minority background[3]

The issue of diversity is not limited to gender; it also concerns the age, professional, and educational and socio-economic background, and ethnicity/colour and geographical provenance of the members of the management body as well welcoming differing physical abilities and cognitive divergences. All those factors are important aspects to achieving a balanced composition of the management body. For more information please view our Board Diversity Policy Statement.

As at end-2022, two out of the three targets were met. Only 30% of the Board were women, compared with the target of 40% - however, one new female director was added in 2022. Within that, one of the senior Board positions was held by a woman – the CEO. At least 20% of the Board were from a non-white ethnic minority background.

More generally, we aim to have diversity of across the whole organisation, including Executive management. At end-2022, 56% of the Executive team was female. However, there was no ethnic minority representation amongst this group.

Table 2: Board and Executive Management sex/gender representation

	Number of Board members (percentage)	Number of senior positions on the Board (percentage)	Number of Executive Management (percentage)
Men	7 (70%)	3 (75%)	4 (44%)
Women	3 (30%)	1 (25%)	5 (56%)
Other/not specified/prefer not to say	-	-	-

Note: Data as at 31 December 2022

Table 3: Board and Executive Management ethnicity representation

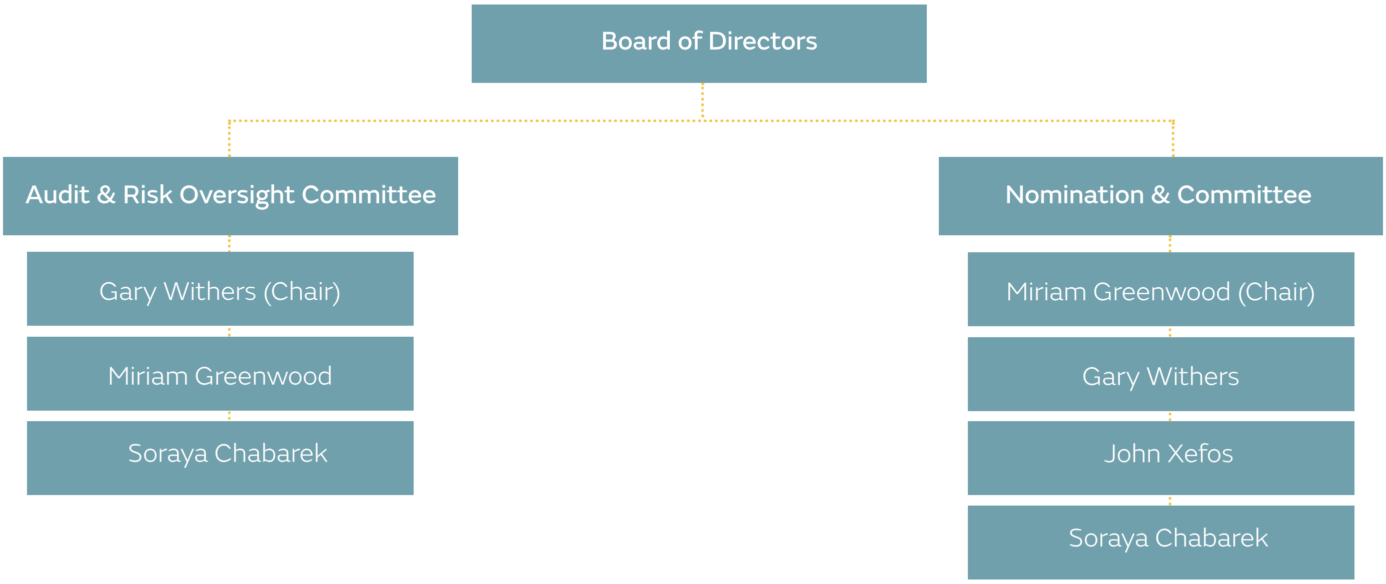
	Number of Board members (percentage)	Number of senior positions on the Board (percentage)	Number of Executive Management (percentage)
White British or other White (including minority-white groups)	4 (40%)	3 (75%)	8 (89%)
Mixed/multiple ethnic groups	1 (10%)	-	0 (0%)
Asian/Asian British	0 (0%)	-	0 (0%)
Black/African/Caribbean/Black British	0 (0%)	-	0 (0%)
Other ethnic group, including Arab	1 (10%)	1 (25%)	0 (0%)
Non specified / prefer not to say	4 (40%)	-	1 (11%)

Note: Data as at 31 December 2022

[2] Chair, CEO, SID, CFO.
[3] As referenced in the categories recommended by the Office for National Statistics.

4.3 Board composition

The Board has established the following two oversight committees chaired by Non-Executive directors to support it.



Note: Committee membership as at 31 December 2022

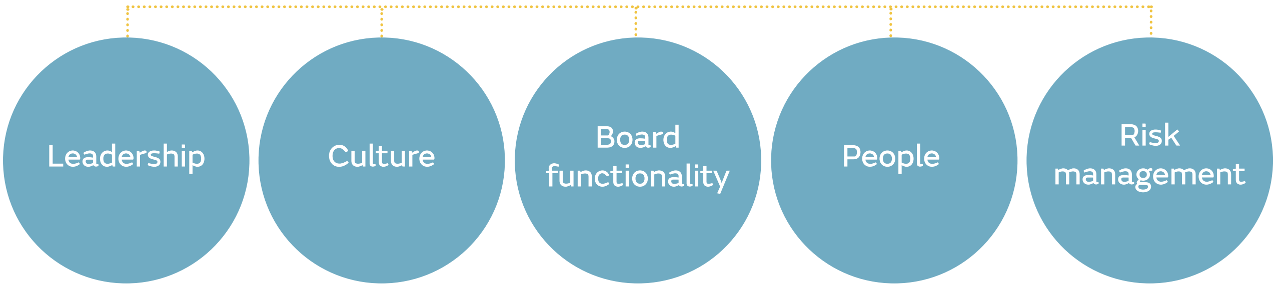
The Board has delegated the authority for all day-to-day management to the CEO.
The CEO has established an Executive Committee and the following Management Committees report into it:

4.4 Board evaluation

The effectiveness of the Board as a whole, and the performance of individual directors, is reviewed annually. All recommendations are considered by the Board, an action plan is implemented and the outcome is reviewed.

In 2022, an externally-facilitated, formal, rigorous Board Evaluation was undertaken. Consistent with the UK Corporate Governance Code, that was three years after the previous such external evaluation. The review was conducted by a team from Odgers Berndtson. There were no conflicts of interest identified, and hence the review team was judged to be independent. The Evaluation was conducted through a structured survey, 1:1 interviews, and observation of the Board and the Audit and Risk Oversight Committee.

Board evaluation themes



Overall, the review concluded that the GIB (UK) Board competently provides oversight of the strategic direction and executive performance and, through the Board Committees, assurance that core governance is effectively executed beyond the Board. The main area for enhancement identified was to increase the focus on future or emerging trends and underlying strategic risks.

The Board welcomed the review, in the spirit of constantly looking for ways to enhance the effectiveness of its leadership. An action plan was agreed to put in place to deliver the enhancements suggested, and a number of these were already in effect by year-end 2022.

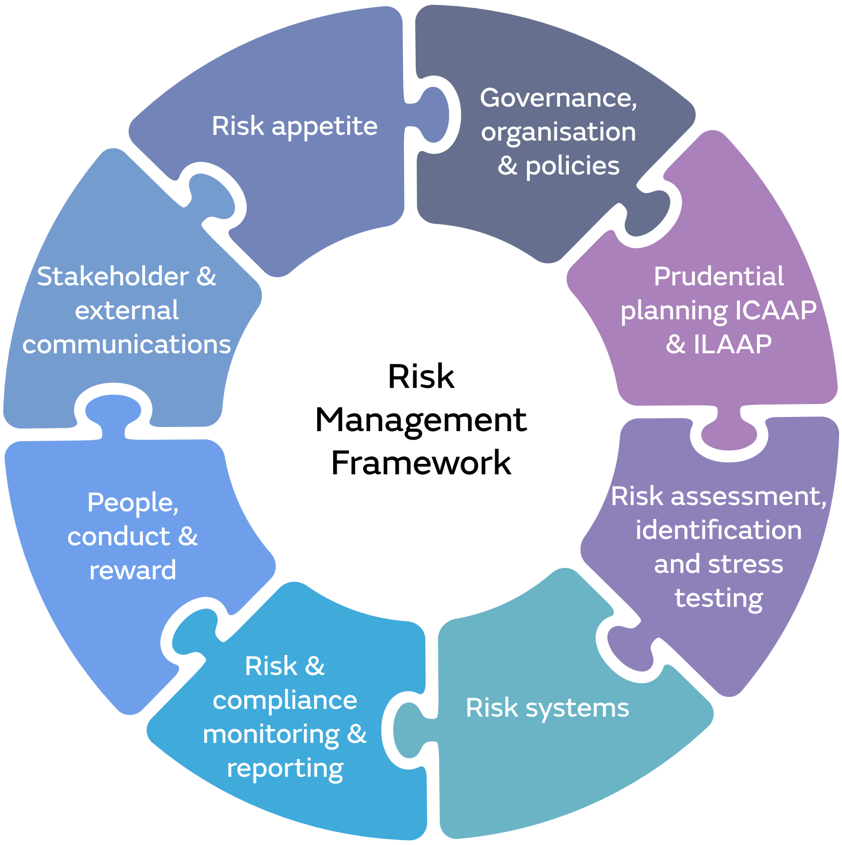
4.5 Systems, policies and processes

A comprehensive approach is taken to ensure that policies and processes are implemented and maintained.

The Risk and Compliance function keeps an inventory of all policies and procedures owned by GIB (UK) or by Group, but applicable to GIB (UK). Policies are attributed to sponsors at the Executive Committee level and a Policy owner is responsible for its maintenance and overseeing its implementation. We aim for policies to be reviewed at least every 18 months and procedures to be reviewed at least every 2 years. Delays are escalated to the Business Risk Committee and the Board.

4.6 Risk Management and internal controls

GIB (UK) has a comprehensive Risk Management Framework aligned to its risk profile for managing its material risks, which is responsive to changes in internal and external environmental.



The framework incorporates sustainability and climate related risks. Consistent with that, climate related risks are included in relevant risk policies, such as the Investment Risk Framework, Credit Risk Management Policy and Key Risk assessments. In 2022, we have articulated a Climate Change Risk Management Strategy, which was approved by our Board. It included areas for further improvements, which are being tracked by Risk.

4.7 Our sustainability policies

We believe that embedding sustainability considerations in our policies and procedures is an important part of ensuring robust governance standards. Policies relating to sustainability include:

- Responsible Investment Policy
- Stewardship Policy
- Environmental and Social Policy
- Supplier and Third Party Code of Conduct
- Equal Pay for Equal Work Policy
- Corporate Philanthropy Policy

4.8 Remuneration policy

GIB (UK) have a comprehensive performance management approach. Our remuneration policy is designed to attract, retain and motivate quality staff while at the same time rewarding behaviour that is consistent with our culture and values. This encourages successful delivery of financial performance balanced with strong governance, controls and risk management. Further, we reward our executives and employees in a way that encourages them to act in the best interests of our clients.

GIB(UK) are committed to the principles of equal opportunities for all employees and workers (referred to herein as 'employees') regardless of sex, race, religion or belief, age, marriage and civil partnership, pregnancy and maternity, sexual orientation, gender reassignment, or disability or any status that is protected as a matter of law. The right to equal pay is a fundamental principle of the Equality Act 2010. We are committed to ensuring that its pay is awarded fairly. This is in direct support of our Equal Opportunities and Dignity at Work policy.

Our executives and employee remuneration is linked to sustainability: through variable pay taking into account individual, departmental and firm wide KPIs and these include sustainability, climate risk and ED&I focused measures of success.

4.9 Focus areas and Principal decisions (S172)

When taking decisions, the Board considers the interests of, and impact on, key stakeholders. Principal Decisions are those that are strategic in nature and are significant to any of our identified key stakeholder groups. The Principal Decisions taken by the Board in 2022 all related to the creation of investment products.

Issue/Principal Decision	Stakeholder	Stakeholder considerations and outcome
Approval of Emerging Markets Active Engagement (EMAE) UCITS Fund **Approval of Sustainable World Corporate Bond strategy and UCITS Fund** **Approval of European Focus equity strategy and UCITS Fund**	Clients	All strategies and funds were designed to align well with client investment requirements
	Employees	Existing employees stood to benefit from the expansion of the Bank's capabilities, with colleague morale boosted through the successful product launch and increased revenue potential. The introduction of the new capabilities required adaptation by the team, with supporting training and development provided to ensure a successful launch and ongoing operation. All strategies and funds consider environmental, social and governance themes, albeit in different ways. See strategy and fund documentation for further details.
	Community	The Sustainable World strategy and Fund invests in those companies that are solving the world's greatest challenges. The EMAE portfolio management team's focus on improving the ESG credentials of companies offers potential improvements to wider societies and the environment. The shareholder (via representatives of the GIB BSC Board) fully supported the expansion of our capabilities, which aligns with GIB's strategy to increase shareholder value.
	Shareholder	All three UCITS Funds are sub-funds of the Amundi UCITS Fund Platform ICAV; the UCITS fund is authorised and supervised by the Central Bank of Ireland and falls within the scope of various European Regulations, including the UCITS Directive (2009/65/EC) and SFDR. Key areas of focus highlighted to the Board were:
	Regulators	•regulatory risk monitoring processes, including market abuse, sanctions and liquidity risk monitoring; •UCITS investment restrictions monitoring and breach reporting; •management of ongoing reporting obligations to AIL, including monthly fund data reporting, quarterly investment manager reports, and annual presentations; •management of sub-distributor oversight framework; and •review of existing policies and procedures or creation of new policies to ensure UCITS products remain within scope.

4.10 Culture and values

GIB (UK) believes that a positive workplace is an essential ingredient in making work feel meaningful, valuable and purposeful. We have transformed our culture into one that reflects the identity and values of our organisation. Our culture is built on the principles of equity, diversity, inclusivity, transparency and safety, and underpinned by a solid sense of community and mutual respect.

This environment encourages and empowers everyone to make a difference and we value the ideas and inputs of everyone at GIB (UK).

We place a great amount of importance on the concept of collaboration because it is critical to our success. Collaboration is important to us because it is how we connect with our stakeholders, both internally and externally, build long lasting relationships that help sustain our business, increase our profitability rates and achieve the ambitions of our clients.

We embrace a culture of learning, collaboration and individual ownership and responsibility. We encourage energy and passion from our people, and a 'speak up' culture which promotes inclusivity and psychological safety for everyone.

We launched our cultural journey project in 2021 and undertook a comprehensive culture survey. This was well received and results were shared with all members of staff.

GIB (UK) has a Diversity and Inclusion Forum which employees volunteer to be part of, and discuss ideas and initiatives to promote and enhance our culture journey.

GIB (UK) aims to build a strong business culture of sustainability and enable all employees to implement the concept into their day-to-day work processes and strategies. We also place the utmost importance on transparency and disclosure as it enables our stakeholders to understand our commitments, plans, activities and progress to building a more sustainable and ESG friendly business and community.

GIB (UK) also has a strong culture of risk control and compliance.

4.11 Diversity, Equity and inclusion

4.11.1 What does diversity, equity and inclusion (DEI) mean to GIB (UK)?

DEI plays a critical role in helping us to achieve our business vision and goals:

Our vision is to succeed by scaling and mobilising significant capital in support of sustainable investment strategies, and be the preferred treasury provider for entities transacting between the GCC and internationally

To achieve our business vision, D&I matters to us so we can / can have:

Sound decision-making, effective business activities, and avoiding group-thinking	Engaged colleagues and alignment with culture	Drive positive impact in a changing world

Our DEI strategy is based on 6 pillars:

Engage	Equip	Empower	Embed	Evaluate	Evolve
How we engage colleagues to ensure they have a good understanding of D&I, and measure our efforts	How we equip all colleagues, managers and leaders through trainings, policies, processes and guidance	Through networks, team discussion, members; how we provide support and encourage	Establishing shared responsibility and accountability for improvements	How we evaluate progress to set relevant targets and interventions	Continuously learning and best practice to devise innovative and create interventions

Our achievements in 2022 include:

Engage	Equip	Empower	Embed	Evaluate	Evolve
Interactive sessions held on micro-aggressions, intersectionality for black women, and neuro-divergence D&I forum session attended by some of our Non-Executive Directors, who shared their vision about GIB (UK)'s Culture and heard from the forum's volunteers Every woman at GIB (UK) was invited to a dinner, held in our offices, with Jayne Styles, an Associate of the Chartered Financial Analyst Society of the UK, a Fellow of the Chartered Institute of Bankers, an Associate of the Institute of Chartered Secretaries and Administrators, as well as a qualified Executive Coach who has worked to progress EDI in Financial Services over the years	Rolled out inclusive management and hiring training to all managers Implemented new hiring process and targeted gender balance for interviews	Completed our inaugural and innovative reverse mentoring scheme	Included ED&I targets in our firm-wide Balanced Scorecard Included ED&I in individuals' 2022 objectives Engaged with the Brokerage to offer 4 inclusive summer internships (out of 6) Kicked off an apprenticeship pilot with Fitch Training, which provides a CISI level 3 qualification	Tracked D& I targets as part of our 2022 Balanced Scorecard Refreshed cultural survey and measured improvements Nominated for D&I award	Engaged with the charity Aspirations (neurodiversity) to better understand how to build an inclusive culture for those with neuro-divergence

The four areas of focus for us in 2023 are still gender, ethnicity, disability and socio economic background.

4.11.2 Gender balance:

GIB (UK) workforce has an overall ratio of 34% women and 66% men, which we will aim to improve. Our gender ratio at senior levels is balanced where 30% of the Board and 56% of the Executive Committee% are women. We are aiming for 50/50 male/female ratio by 2030, with an annual review, and to continue to target 50/50 male/female ratio for interviews.

The firm has a long standing commitment to volunteering and has standalone Charity & Volunteering Groups, staffed by the employees. We engage in a number of events and volunteer opportunities which included, amongst a number of areas, to include the raising awareness for young women and encourage their interest in a career in financial services.

Ethnicity

25% of those who disclosed their ethnicity were from minority backgrounds, compared to 15% in financial services generally.

4.11.3 Disability awareness and inclusion

In 2022, 3% of our GIB (UK) employees declared having a physical or mental impairment.

We aim to provide employees with accessibility resources for both inside and outside the workplace, to ensure that nobody is excluded and everybody can comfortably perform their responsibilities and contribute to business success. GIB (UK) is a member of the Valuable 500, an international organisation whose mission is to harness the power of business to drive lasting change for the 1.3 billion people around the world, living with a disability.

Socio-economic mobility

GIB (UK) has a workforce with varied socio economic backgrounds, albeit with a strong concentration of those employees from a professional socio-economic background among our management and more senior employees.

We continued to offer inclusive internships and in 2022 launched our first Apprenticeship programme.

4.11.3 Employee Engagement

We carry out regular engagement surveys to determine employee attitudes and, from the results, we develop strategies to improve the workplace and promote a healthy and inclusive environment/culture for our employees.

The 2022 employee engagement score was 75% versus 79% in 2021, however, there are no material considerations here. Additionally, we have held psychological safety workshops for all departments, in the second half of 2022. These workshops were highly successful with positive results and facilitated an anonymous platform for discussions on psychological safety, feedback to be raised in an open and safe way and is recognised as one of the key components of high performance teams.

At GIB (UK) we engage in a variety of volunteering activities that encourage our employees to interact with members of the community. In 2022 we introduced Volunteer Days for our employees. All employees could take two paid volunteer days a year and use these for Bank wide volunteering events or their own choice of volunteering activity. Since the introduction of paid volunteering days in April 2022, 36.5 days volunteering has been undertaken by our employees.

4.11.4 Learning and Development

In order to achieve our targets at GIB (UK), we provide a range of development programmes and training to strengthen our employees' skills and widen their knowledge range. Our programmes are operated in line with the values, behaviours and regulations at GIB (UK).

Our learning and development programme includes training sessions which are both for technical knowledge and personal skills, including diversity and inclusion training. Unconscious Bias training was delivered to support our employees' awareness of potential biases across the employee lifecycle. Training is delivered both face to face and virtually which has supported a high take up of training events.
Providing employees with development training increases their skills, provides a foundation for new ideas and improves overall engagement and commitment.

4.11.5 Health and Wellbeing

The physical and mental health and wellbeing of employees is very important to us at GIB (UK).

5 employees have been fully trained to be Mental Health First Aiders. This provides an outlet for employees to be able to discuss any issues with a colleague and to seek advice and help confidentially.

GIB (UK) has an active Social Community with regular events organised to connect individuals on a social level to help our employees stay connected and socialise as we embrace the wellbeing benefits of hybrid working.

4.11.6 Partnerships and Industry Recognition

We are a proud member/partner/signatory of:

Our recent awards include:

4.12 Transparency and disclosures

We believe that comprehensive disclosures are paramount to enabling stakeholders to understand our activities, commitments and progress against such activities and commitments.
Please visit our website for further information on the following:

- GIB (UK) Modern Slavery Statement
- GIB (UK) Tax Strategy
- GIB (UK) Pension Fund Investment Principles
- GIB (UK) Proxy Voting Report
- GIB (UK) Code of Conduct
- GIB (UK) Pension Scheme Annual Engagement Policy Implementation Statement
- GIB Asset Management: Responsible Investment Policy
- GIB Asset Management: Stewardship Policy
- GIB (UK) Board Diversity Statement
- GIB Asset Management: Statement on Sustainable Finance Disclosure Regulations
- GIB Asset Management: Cross-Border Fund Distribution
- GIB (UK) Basel II Pillar 3 Disclosures
- GIB (UK) Risk Disclosure
- GIB: 2021 Sustainability Report
- GIB (UK): Climate related financial disclosures

4.13 Risk and Opportunities

The success of our business depends on our ability to remain sustainable and manage risks effectively. At GIB (UK) we regularly assess the potential external and internal events and trends that could have adverse impacts on the capital, profitability, reputation, financial standing, operational resilience and strategic objectives of our company.

Our Board strives to achieve a balance between appropriate levels of risk and return.

4.14 Risk approach and Management

The success of our business depends on our ability to remain sustainable and manage risks effectively. At GIB (UK) we regularly assess the potential external and internal events and trends that could have adverse impacts on the capital, profitability, reputation, financial standing, operational resilience and strategic objectives of our company.

Our Board strives to achieve a balance between appropriate levels of risk and return.

4.14 Risk approach and Management

Our structured and disciplined approach to the management of risk considers the strategy, assets, liabilities, processes, people, technology and resources within our business as well as our impact on clients, the community and the environment with the purpose of continually evaluating and managing risks across the firm.

4.15 Material Risk Categories

We consider the materiality of the following categories of risk in our risk profile and assessment of risk:

4.16 2022 inherent risk profile:

As GIB (UK) moved further into its 5 year growth strategy, business risks, and in particular Client Concentration & Loss Risk, Product Failure and Talent Retention Risk were increasing. Implementing new investment capabilities, differentiated products and customized services increased many aspects of Operational risk. The significant and rapid expansion of the investment team and experimentation of new ways of working also heightened Culture and Conduct risk. With the increased GIB AM brand awareness, its sustainability focus and the partnership with distribution platforms came more Reputational risk. Using capital to seed products until a track-record was established increased Capital Adequacy and Market Risk.

In 2022 our key inherent risks were:

- Client Concentration & Client Loss
- Product Failure
- Macroeconomic
- Geopolitical tensions in GCC region
- Outsourcing and Third Party
- Cyber Risk
- Sustainability & Climate Change Risk
- Talent acquisition and retention
- Regulatory Risk
- Economic Crime Risk

4.17 GIB (UK) Approach to managing risk

The purpose of our risk management is to ensure all risks faced by GIB (UK) are managed in line with our Board Risk Appetite to promote a strong understanding of risk and an effective Risk culture within GIB (UK).

GIB (UK)'s Board approved Risk Appetite Statement sets the direction of the overall risk taking activities and is central to adopting and embedding an effective risk culture in business decision making, day-to-day risk management and reporting. Our Board Risk Appetite is reviewed every year in line with our Business Plan.

GIB (UK) has a comprehensive Risk Management Framework aligned to its risk profile for managing its material risks, which is responsive to changes in internal and external environments. It is also embedded within GIB (UK)'s operating model and plays a key role in the day-to-day decision making process.

We aim to successfully embed Risk Management into the company's governance and working practices, which requires all employees to consider actively the ways in which they act, behave and articulate risk such that effective risk management is a core element of GIB (UK)'s culture.

At GIB (UK) we adopt a holistic view of risks on a firm-wide basis. GIB (UK) conducts a periodic review of its risk profile, at least on an annual basis, to ensure that it remains current and allows for recognition of emerging and escalating risks.

Our Chief Risk & Compliance Officer is responsible for maintaining a firm-wide risk management framework.

Directors Report

The directors have pleasure in submitting their annual report, together with the audited financial statements of Gulf International Bank (UK) Limited and subsidiary, SIB Portfolio Advisers and New York based Branch, (“GIB (UK)” or “the Bank”), for the year ended 31 December 2022.

Directors

The directors at the date of this report are:

- Abdulaziz Al-Helaissi (Chair)
- Abdulla Mohammed Alzamil Jamal Al-Kishi
- Turki AlMalik
- Ralph Campbell
- Katherine Garrett-Cox
- Miriam Greenwood
- Gary Withers
- John Xefos
- Soraya Chabarek

Going concern

The Bank’s business activities together with the factors likely to affect its future development, performance and position are set out in Note 2.2 of the Strategic Report. The Bank’s policies to manage risk are set out in note 20, in particular the policies to manage liquidity are in note 20 (c) and to manage capital in note 20 (g). These notes also contain the Bank’s liquidity and capital positions at 31 December 2022.

The directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the at least 12 months from the authorisation of these Financial Statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Charitable and Political donations

The Bank made charitable donations of $5.6k (2021: $5k). The Bank did not make any political donations during the year, as per its Corporate Philanthropy Policy.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors’ report confirm that, so far as they are each aware, there is no relevant audit information of which the Bank’s auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Bank’s auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditor, Ernst & Young LLP, was approved to continue in office for the financial year ending December 2022.

Other Declarations

The Bank neither declared nor paid a dividend in 2022 (2021: Nil).

There have been no material post balance sheet events, except for those provided in note 30.

Financial risk management objectives and policies, and information on risk exposures, are covered in the strategic report. Likely future developments in the business of the company are also covered in the strategic report.

The strategic report covers how the Directors have had regard to employees and other stakeholders, including in making principal decisions, and the steps taken more generally to ensure effective engagement with relevant stakeholder groups.

Statement of directors' responsibilities in respect of the strategic and directors' reports and the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare the Bank financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK adopted international accounting standards ("IFRSs"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- State whether UK adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

By order of the Board

Ralph Campbell

Ralph Campbell, Director and Chief Financial Officer
22 March 2023

Independent auditor's report to the members of gulf international bank (UK) limited

1.1 Opinion

We have audited the financial statements of Gulf International Bank Limited ("the Bank") for the year ended 31 December 2022 which comprise the Statement of Financial Position, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Cash Flow and the related notes 1 to 30, including a summary of significant accounting policies, except for the note 20(b), and 20(g) marked as unaudited. The financial reporting framework that has been applied in their preparation is applicable law, and UK adopted international accounting standards.

In our opinion, the financial statements:

- Give a true and fair view of the Bank's affairs as at 31 December 2022 and of its profit for the year then ended;
- Have been properly prepared in accordance with UK adopted international accounting standards;
- Have been prepared in accordance with the requirements of the Companies Act 2006.

1.2 Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

1.3 Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included the following:

▪ We obtained an understanding of management's going concern assessment process and engaged with management to ensure that all key factors were considered in their assessment;
▪ We developed an understanding of how the Bank managed liquidity and capital during 2022;
▪ We obtained management's going concern assessment which included long-term forecasts for the period 2023 to 2026, liquidity and capital adequacy analyses and a reverse stress scenario. We evaluated the risks included in the assessment as well as those included in management's reverse stress test and downside sensitivity analyses;
▪ We read the ICAAP and ILAAP and considered the different stress scenarios and management's actions set out to manage any stresses and comply with regulatory requirements;
▪ We assessed the historical accuracy of management's profit forecasts through checking the reasonableness of the assumptions included within those forecasts and comparing prior years budgeted financial information with historical actual results;
▪ We performed stress testing to consider the reasonableness of the profit forecast and resultant impact on capital adequacy over the assessed going concern period;
▪ We evaluated management's plans for future actions within the control of the Bank to maintain a surplus

to binding regulatory capital and liquidity requirements over the going concern period in order to determine if such actions are feasible in the current circumstances;

- We reviewed the correspondence between the Bank and its regulators, including the updated capital requirements communicated by the Prudential Regulation Authority ("PRA") during 2022, and the minutes of Board of Directors meetings, to check for any information that might impact the going concern assumption;
- We have obtained management's climate risk assessment and evaluated the impact of transition and physical risks on going concern assumption of the Bank; and
- We assessed the Bank's going concern disclosures in the Annual Report and Accounts to determine whether they were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Bank's ability to continue as a going concern.

Overview of our audit approach

Key audit matters	• Valuation of Financial Instruments held at Fair Value • Adequacy of the Bank's control environment in relation to the financial statement close process
Materiality	• Overall materiality of $ 2.08m which represents 0.5% of the Bank's total equity (2021: $2.04m representing 0.5% of the Bank equity).

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Bank. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Bank and effectiveness of controls, the potential impact of climate change and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team with the exception of specific audit work performed on the processes and systems centrally managed by Gulf International Bank B.S.C, which was tested by EY Bahrain including IT audit professionals as required. We interacted regularly with EY Bahrain where appropriate during various stages of the audit, reviewed key audit working papers and were responsible for the scope and direction of audit procedures. This gave us appropriate evidence for our audit opinion.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Bank. The Bank has determined that the most significant future impacts from climate change on its operations will be from physical and transition risks, as explained in note 1 of the financial statements. Our procedures on these disclosures consisted of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

In planning and performing our audit, we assessed the potential impacts of climate change on the Bank's business and any consequential material impact on the financial statements.

As explained in Note 1 to the Annual Report, the Bank is still assessing the future economic impact of climate change risks on its business, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. Based on available evidence and analysis performed to date, the Bank determined that there is no material impact on it financial statements as a result of climate risk.

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks disclosed in Note 1 have been appropriately reflected by management in determining that the impact on the financial statements would be immaterial.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit and Risk Oversight Committee</th></tr>
<tr><td>Valuation of financial instruments held at fair value

As reported in note 21 to the financial statements, as at 31 December 2022 the Bank held derivatives and and foreign exchange instruments

•Derivative assets amounted to $69.6m as at 31 December 2022 (2021: $22.4)
•Derivative liabilities amounted to $43.5 as at 31 December 2022 (2021: $54.9m)

This included derivatives contracts with higher risk characteristics such as total return swaps (TRS) which are inherently complex in nature and can include both significant judgment and the risk of inappropriate revenue recognition through incorrect pricing.

We have identified an increased risk in this area considering the challenging market environment which can impact the observability of valuation inputs and result in inappropriate valuation of financial instruments at year-end.</td><td>We performed the following procedures:
• Confirmed our understanding of process and key controls over the existence, valuation and related income statement measurement of financial instruments
• Involved more experienced and senior team members in performing audit procedures in this area
• Confirmed our understanding of the hedging strategies to mitigate the impact of market volatility on trading securities by entering into TRS and futures, as well as the strategies in place using more vanilla instruments such as interest rate and foreign exchange related derivatives, and challenged the fair value estimates.
• Verified the existence of the entire population of derivatives through a combination of external confirmations and alternative procedures.

• Independently re-valued a sample of financial instruments selected from the populations of derivatives with different characteristics (FX Forwards, FX Swaps and Interest Rate Swaps)

Specifically for the TRS:
• Involved our specialists to independently revalue 100% of the TRS using alternative pricing sources where available considering the specific risks on these particular instruments
• Performed specific analysis of the revenue recognised on these instruments by comparing to the expected impact from the gains/losses for the respective trading securities.
• Verified the accuracy of the inputs used in the calculation of the TRS
• We tested the presentation of the derivatives and foreign exchange instruments in the financial statements, including risk management disclosures in accordance with IFRS 13 and IFRS 7 requirements.</td><td>We are satisfied that the assumptions used by management to reflect the fair value of financial instruments with higher risk characteristics and the recognition of related income is reasonable and in accordance with IFRS</td></tr>
<tr><td>Adequacy of the Bank's control environment in relation to the financial statement closing process ('FSCP').

In the prior year, we identified weaknesses in the control environment of the Bank, particularly in relation to the financial reporting process as evidenced by the number of audit differences identified and corrected. In the current year the Bank has made improvements to its control environment particularly with the implementation of additional monthly controls as part of the ledger close. As we continued to identify new audit differences and control exceptions in the current year, we consider further enhancements are still required to achieve a sustainable control environment.
As the robustness of financial reporting depends on the effective functioning of operational and financial controls, we deemed this to be a key audit matter.</td><td>• Our audit approach included an assessment of the process and controls that management relies on for the Financial Statements Closing Process.

• In response to the audit differences identified through the course of our substantive testing, we increased our substantive audit procedures to obtain a greater proportion of evidence from substantive testing and the use of increased sample size.

This included the following:
• We revisited our risk assessment of the control environment at account level for those where we identified issues
• Re-assessed the appropriateness of our materiality, and that our tolerable error was already at the lower end of the range based on our methodology.
• Involved more senior members in the audit team in the review of working papers in areas where we identified audit differences.
• Where possible, we have tested new controls implemented throughout 2022 in response to prior year recommendations to ensure that the Bank had taken action to mitigate the risks highlighted in previous year.</td><td>We communicated to the AROC the list of misstatements identified and corrected as a result of our audit procedures, highlighting.

Our observations to the AROC included our assessment of the progress made by the Bank against prior year issues, as well as communicating further improvements required in the remaining areas.

This led to us extending the scope of our work by undertaking additional substantive testing where controls were ineffective. We satisfactorily obtained the necessary audit evidence from our additional substantive work.</td></tr>
</table>

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Bank to be $2.08 million (2021: $2.07 million), which is 0.5% (2021: 0.5%) of the Bank's equity. We believe that equity reflects the most useful measure for users of the financial statements, given that the bank operates in a regulated industry and its results have been volatile in recent years. Our basis for materiality is consistent with prior year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Bank's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely $1.04m (2021: $1.0m). We have set performance materiality at this percentage (lower end of our materiality range) based on our consideration of corrected and uncorrected audit differences and control exceptions relating to financial reporting process identified during prior year audit.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We have agreed with the Audit & Risk Oversight Committee (AROC) that we would report to them all uncorrected audit differences in excess of $104k (2021: $103k), which is set at 5% of materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

1.4 Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

1.5 Matters on which we are required to report by exception

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

1.6 Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Bank and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are Companies Act 2006, Financial Services and Markets Act 2000, Financial Services Act 2012, Capital Requirements Regulation, Markets in Financial Instruments Directives (MifID 1 and 2), and relevant Prudential Regulation Authority and Financial Conduct Authority regulations.

- We understood how the Bank complies with those frameworks by making enquiries of management, including the risk department, and those responsible for legal and compliance matters. We also reviewed the minutes of the Board and the AROC; and gained an understanding of the Bank's approach to governance demonstrated by the Board's approval of the Bank's risk management framework and the internal controls processes. Furthermore, we reviewed all internal audit reports and correspondence with the regulators.

▪ We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by considering the controls that the Bank has established to address risks identified by the Bank, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance incentives and their potential to influence management to manage earnings.

▪ Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of management, internal audit, and those responsible for legal and compliance matters; as well as focused testing as referred to in the Key Audit Matters section above. In addition, we performed procedures to identify significant items inappropriately held in suspense and tested journal entries with a focus on manual journals and journals indicating large or unusual transactions based on our understanding of the business.

▪ As the audit of a bank requires specialised audit skills, the senior statutory auditor considered the experience and expertise of the audit team to ensure that the team had the appropriate competence and capabilities and included the use of specialists.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

▪ Following a competitive tender and the recommendation from the audit committee we were appointed by the Bank during 2016 to audit the financial statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is seven years, covering the years ending 31 December 2016 to 31 December 2022.

▪ The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Bank and we remain independent of the Bank in conducting the audit.

▪ The audit opinion is consistent with the additional report to the Board Audit & Risk Committee.

1.7 Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

JeanPhilippe Jacques Faillat

Jean-Philippe Faillat (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: March 2023

Statement of financial position

The statement of financial position of Gulf International Bank (UK) Limited was as follows:

	Note	31.12.2022	31.12.2021
		US$ Thousands	US$ Thousands
ASSETS			
Cash and cash equivalents	3	5,325,978	5,599,337
Placements with banks	4	3,661,166	3,805,701
Investment in group entities	27	-	-
Trading securities	5	73,490	56,471
Derivative financial asset	21	69,607	22,397
Debt securities at amortised cost	6	983,131	1,001,816
Property, plant and equipment	7	3,915	5,087
Right-of-use assets	7.1	25,740	28,260
Other assets	8	115,596	56,297
Current tax receivable		918	1,026
Total assets		**10,259,541**	**10,576,392**
LIABILITIES			
Deposits from banks	10	370,965	35,438
Deposits from customers	11	9,323,428	10,022,108
Derivative financial liability	21	43,543	54,878
Deferred tax liability	19	5,032	1,851
Other liabilities	12	97,890	55,256
Total liabilities		**9,840,858**	**10,169,531**
EQUITY			
Share capital	13	250,000	250,000
Capital contribution		2,279	2,279
Retained earnings		133,014	125,904
Pension Reserves		33,390	28,678
Total equity		418,683	406,861
Total liabilities and equity		**10,259,541**	**10,576,392**

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

Ralph Campbell

Ralph Campbell
Director and Chief Financial Officer
22 March 2023

The following notes are an integral part of these financial statements.

Income statement

	Note	31.12.2022	31.12.2021
		US$ Thousands	US$ Thousands
Interest income from financial instruments measured at amortised cost		222,570	27,749
Other Interest income/(expense)		399	(6,645)
Interest expense from financial instruments measured at amortised cost		(184,447)	(9,043)
Net interest income	**14**	**38,522**	**12,061**
Net fee and commission income	15	2,128	4,036
Net trading income/(loss)	16	4,753	3,371
Foreign exchange income and revaluation of foreign currencies monetary assets and liabilities		11,764	10,845
Expected credit loss charge on financial assets	20	(140)	(162)
Other operating income/(loss)	26	4,801	491
Impairment of Right of use asset	7	-	(1,199)
Operating expenses	17	(52,682)	(43,014)
Profit/(Loss) before tax		**9,146**	**(13,571)**
Income tax (expense)/credit	19	(2,036)	6,631
Profit/(Loss) for the year		**7,110**	**(6,940)**

Statement of comprehensive income

	Note	31.12.2022	31.12.2021
		US$ Thousands	US$ Thousands
Loss for the year		7,110	(6,940)
Other comprehensive income :-			
Items that may subsequently be reclassified to statement of income		-	-
Items that will not be reclassified to statement of income			
Remeasurement of defined benefit pension fund		6,016	28,693
Income tax relating to defined benefit pension		(1,304)	(7,489)
		4,712	21,204
Other comprehensive income for the year, net of tax		4,712	21,204
Total comprehensive income/(loss) for the year		11,822	14,264
Total comprehensive income/(loss) attributable to:			
Equity holders of the parent		11,822	14,264

Statement of changes in equity

	Attributable to equity holders of the company US $ Thousands				
	Share capital	Capital contribution	Pension reserve	Retained earnings	Total equity
Balance at 1 January 2021	**250,000**	**2,279**	**7,473**	**132,844**	**392,596**
Opening adjustment					
Arising in the year:-					
- Deferred tax liability on defined benefit pension	-		(7,489)		(7,489)
- Pension reserves	-		28,694		28,694
Total other comprehensive income	**-**		**21,205**	**-**	**21,205**
Net loss for the year	-		-	(6,940)	(6,940)
Total comprehensive income for the year	**-**		**21,205**	**(6,940)**	**14,265**
	-		-	-	-
Balance at 31 December 2021	**250,000**	**2,279**	**28,678**	**125,904**	**406,861**
Balance at 1 January 2022	**250,000**	**2,279**	**28,678**	**125,904**	**406,861**
Arising in the year:-					
- Deferred tax liability on defined benefit pension	-		(1,304)		(1,304)
- Pension reserves	-		6,016		6,016
Total other comprehensive income	**-**		**4,712**	**-**	**4,712**
Net loss for the year	-		-	7,110	7,110
Total comprehensive income for the year	**-**		**4,712**	**7,110**	**11,822**
Balance at 31 December 2022	**250,000**	**2,279**	**33,390**	**133,014**	**418,683**

Statement of cash flow

	Note	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Operating cash flows from operating activities			
Loss before tax		9,146	(13,571)
Adjustments to reconcile loss before tax to net cash flow from/(used) in operating activities: -			
Income tax received/(paid)		0	2,400
Depreciation of property and equipment	7	1,211	1,270
Depreciation of ROU assets	7	2,520	2,247
Change in accrued interest receivable		(47,278)	10,789
Change in accrued interest payable		45,097	(649)
Change in other net assets (Including movements to pension reserve)		(62,029)	(7,360)
Change in trading securities		(17,019)	(23,066)
Change in placements with banks		144,535	994,557
Change in debt securities at amortised cost/Investment securities net		18,566	(724,622)
Change in deposits from banks		335,527	(144,626)
Change in deposits from customers		(698,680)	247,815
Finance costs (lease liability) and FX loss on reval of lease liability		(2,919)	940
Impairment		119	1,199
Net cash inflow/(outflow) from operating activities:		(271,205)	347,323
Cash flows from investing activities			
Net purchase of property and equipment	7	(39)	(4,966)
Net cash used in investing activities		(39)	(4,966)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		(2,115)	(108)
Net cash used in financing activities		**(2,115)**	**(108)**
Net increase/(decrease) in cash and cash equivalents		(273,359)	342,249
Cash and cash equivalents at beginning of year		5,599,337	5,257,088
Cash and cash equivalents at end of year *	3	**5,325,978**	5,599,337
Cash and cash equivalents		**5,325,978**	5,599,337
		5,325,978	5,599,337

*Cash and cash equivalents includes placements with Banks with an original maturity of less than 3 months

Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Gulf International Bank (UK) Limited 'The Bank' is registered in the United Kingdom, registration number 1223938, incorporated under UK Law on 22nd August 1975, of registered address: First Floor, One Curzon Street London, W1J 5HD. The Bank's principal operations are corporate banking services and asset management and are carried out in London, with a branch in New York. The Bank is authorized by the Prudential Regulatory Authority and regulated by the Financial Conduct Authority as well as the Prudential Regulatory Authority.

The Pillar 3 disclosure is available at http://www.gibam.com.

Basis of Preparation

The financial statements of the Bank have been prepared in accordance with UK adopted international accounting standards.

The immediate parent company is Gulf International Bank BSC (GIB BSC), incorporated in Bahrain. The consolidated financial statements of Gulf International Bank BSC are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Gulf International Bank, P.O. Box 1017, Al-Dowali Building, 3 Palace Avenue, Manama, Bahrain. The Bank is not required to prepare group accounts since it qualifies for the exemption available under a) Section 401 of the Companies Act 2006 and b) IFRS 10. These financial statements have been prepared on a standalone basis.

Climate Risk

GIB UK considers the impact of sustainability risks, including climate risk, on its strategy and business plan. However, the company is currently unable to determine the full future economic impact of climate risk on our business, and hence the potential impacts are not fully incorporated in these financial statements. However, based on the available evidence and its analysis to date, GIB UK does not consider it most likely that climate risk will have a material adverse impact on its financial statements in the short or medium term relative to current expectations.

Going concern

The Bank's management has performed an assessment of the Bank's ability to continue as a going concern and is satisfied that the bank has the resources to continue the business for at least 12 months from the date of signing the 2022 financial statements till 22 March 2024. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, these financial statements continue to be prepared on a going concern basis.

Internal Capital Adequacy Assessment

Capital requirements are examined on a forward looking basis as part of Internal Capital Adequacy Assessment Process (ICAAP) by assessing the resilience of capital adequacy under hypothetical future plausible scenarios .

The ICAAP is approved by the Board. The ICAAP is used to form a view of capital adequacy separately to the minimum regulatory requirements. The ICAAP is used by the PRA to assess the Bank's specific capital requirements through the Pillar 2 framework. These assessments include assumptions about regulatory and accounting factors (such as IFRS 9). They are linked to economic variables and impairments and seek to demonstrate that the Bank maintain sufficient capital.

Liquidity risk monitoring

The Bank monitors, limit and stress test the risks on the balance sheet. Limit frameworks are in place to control the level of liquidity risk, asset and liability mismatches and funding concentrations. Liquidity risks are monitored and reported to the Asset & Liability Management Committee on a regular basis. Liquidity Indicators are monitored on a regular basis. This ensures any build-up of stress is detected early and the response escalated appropriately through recovery planning.

Internal assessment of liquidity

Under the liquidity risk management framework, the Bank maintains the Individual Liquidity Adequacy Assessment Process. This includes assessment of net stressed liquidity outflows under a range of severe but plausible stress scenarios. Each scenario evaluates either an idiosyncratic, market-wide or combined stress event.

Recovery and resolution planning

The Bank's recovery plan explains how the Bank would identify and respond to a financial stress event and restore its financial position so that it remains viable on an ongoing basis.

The recovery plan ensures risks that could delay the implementation of a recovery strategy are highlighted and preparations are made to minimise the impact of these risks. Preparations include:

- Developing a series of recovery indicators to provide early warning of potential stress events.
- Clarifying roles, responsibilities and escalation routes to minimise
- uncertainty or delay.
- Developing a recovery action plan to provide a concise description of the actions required during recovery.
- Detailing a range of options to address different stress conditions.
- Appointing dedicated option owners to reduce the risk of delay and capacity concerns.

The plan is intended to enable the Bank to maintain critical services to its institutional clients and operate within risk appetite while restoring the Bank's financial condition. It is assessed for appropriateness on an ongoing basis and is updated annually. The plan is reviewed and approved by the Board These plans detail the recovery options, recovery indicators and escalation routes for each entity.

Fire drill simulations of possible recovery events are used to test the effectiveness of the Bank's recovery plans on an annual basis. The fire drills are designed to replicate possible financial stress conditions and allow senior management to rehearse the responses and decisions that may be required in an actual stress. The results and lessons learnt from the fire drills are used to enhance the Bank's approach to recovery planning.

1.1 New standards, interpretations and amendments

The following new and revised standards and interpretations have been adopted. The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. In accordance with the transitional provisions, the Bank applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Bank as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transitional provisions, the Bank applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the consolidated financial statements of the Bank as there were no modifications of the Bank’s financial instruments during the period.

1.2 Standard and revisions effective for future periods

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements which provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted as long as this fact is disclosed. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of ‘material’ to accounting policy information, the IASB concluded that transition requirements and an effective date for these amendments were not necessary. The amendments aim to help entities provide accounting policy disclosures that are more useful by: Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The replacement of ‘significant’ with ‘material’ accounting policy information in IAS 1 and the corresponding new guidance in IAS 1 and IFRS Practice Statement 2 may impact the accounting policy disclosures of GIB UK in future periods.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of presentation

The financial statements of the Bank have been prepared in accordance with UK adopted international accounting standards. The financial statements have been prepared under the historical cost basis, as modified by the measurement at fair value of derivatives, trading financial assets and pension liabilities as explained in more detail in the following accounting policies. In addition, assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in fair values attributable to the risk being hedged.

All amounts are rounded to the nearest thousands, unless stated.

2. Summary of significant accounting policies (continued)

2.2 Significant accounting estimates, judgements and assumptions

The preparation of financial statements in accordance with UK adopted international accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses Financial assets are evaluated for impairment on the basis set out in note 2.11.

Fair value of financial instruments held at fair value

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Judgements and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty). For trading securities where the underlying securities are not listed, there are assumptions and judgements made based on the available information to determine the fair value of these securities.

Pension assets and liabilities

Accounting for retirement benefit obligations involves a number of key assumptions which require management's judgement including the changes the actuary applies in the pension assumptions.

2.2 Trade and settlement date accounting

All regular way purchases and sales of financial assets classified as FVTPL are recognised on the trade date, i.e. the date on which the Bank commits to purchase or sell the financial asset. All regular way purchases and sales of other financial assets are recognised on the settlement date, i.e. the date on which the asset is delivered to or received from the counterparty. Regular way purchases or sales of financial assets are those that require delivery within the time frame generally established by regulation or convention in the market place.

2.3 Foreign currencies

The reporting currency of the Bank is the US Dollar, representing the Bank's functional and presentation currency. Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to USD at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income statement . Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to USD at foreign exchange rates ruling at the dates the fair value was determined.

2.4 Offsetting

Financial assets and liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Summary of significant accounting policies (continued)

2.5 Recognition of interest income and expense

2.5.1. The effective interest method

Under IFRS 9, interest income is recorded using the effective interest method for all financial instruments measured at amortised cost. The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

In calculating the EIR, cash flows are estimated taking into consideration all contractual terms of the financial asset or liability but excluding future credit losses. Fees, including loan origination fees and early redemption fees are included in the calculation of the EIR to the extent that they are considered to be an integral part of the EIR.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk such as modifications, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income from financial instruments measured at amortised cost in the income statement.

2.5.2 Interest income and expense from financial instruments measured at amortised cost

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income except when those financial instruments are subject fair value hedging, where it will be recognised as part of net interest income.

2.6 Net fee and commission income

Net fee and commission income comprises fees and commissions generated from discretionary funds under management (fixed income, equities and emerging market portfolios).

Performance fees are calculated as a percentage of the net appreciation of relevant fund products' net asset value at the end of a given contractual period. In accordance with the requirements of IFRS 15, performance fees are only recognised once GIBUK is contractually eligible and the fees can be measured reliably.

A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Management and other fees, which include all non-performance related fees on funds, are recognised in the period in which the services are rendered.

(i) Foreign exchange income

Foreign exchange income arises from earnings generated from customer business and from changes in fair value resulting from movements in exchange rates and other market variables.

2. Summary of significant accounting policies (continued)

ii) Net Trading Income

Changes in fair value of trading securities and the total return swap used to hedge against the exposure of the trading securities and change in fair value derivatives under arbitrage (FX swaps) are included in net trading income, together with the related interest income and dividend income from trading securities. The bank enters into FX and IRS swaps to manage the exposure on investment securities.

2.7 Securities financing arrangements

Reverse repo transactions are included in the statement of financial position under "placements with banks". The difference between the sale price and repurchase price is accrued evenly over the life of the transaction and credited to the Income Statement within interest income from financial instruments measured at amortised cost.

2.8 Financial assets and liabilities

Financial assets and liabilities comprise all financial instruments reflected in the statement of financial position excluding non-financial instruments such as employee benefit plans, prepayments and property, plant and equipment.

Recognition and measurement

The Bank recognises financial assets and liabilities in the statement of financial position when, and only when, the Bank becomes party to the contractual provisions of the instrument.

As per IFRS 9, the Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets as FVTPL.

The Bank classifies and measures its derivatives and trading portfolio at FVTPL. The Bank may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies, as explained in note 2.10 (ii) below.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All regular way purchases and sales of financial assets and liabilities classified as FVTPL are recognised on the trade date, i.e. the date on which the Bank commits to purchase or sell the financial asset or liability. All regular way purchases and sales of other financial assets and liabilities are recognised on the settlement date, i.e. the date on which the asset or liability is received from or delivered to the counterparty. Regular way purchases or sales are purchases or sales of financial assets that require delivery within the time frame generally established by regulation or convention in the market place.

2. Summary of significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

Subsequent to initial measurement, financial assets and liabilities are measured at either amortised cost or fair value. The classification and the basis for measurement are subject to the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:

i) Financial assets at amortised cost

Financial assets are measured at amortised cost using the effective interest method if:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of these two criteria is not met, the financial assets are classified and measured at fair value through the profit or loss (FVTPL). The Bank does not have any financial assets FVOCI.

Additionally, even if a financial asset meets the amortised cost criteria, the Bank may choose to designate the financial asset at FVTPL. Such an election is irrevocable and applicable only if the FVTPL classification significantly reduces a measurement or recognition inconsistency.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages the financial assets to achieve its business objective. The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'held for trading' business model and measured at FVTPL. The business model assessment is not carried out on an instrument-by-instrument basis but at the aggregate portfolio level and is based on observable factors such as:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the assets' and business model's performance is evaluated and reported to key management personnel and Asset and Liability Committee (ALCO);
- How risks are assessed and managed.
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and Bank's expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

2. Summary of significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

SPPI test

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

Principal for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

Interest is the consideration for the time value of money, credit risk, other basic lending risks and a profit margin which is consistent with a basic lending arrangement.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- the currency in which the financial asset is denominated, and the period for which the interest rate is set;
- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements).

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Bank reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period other than the reclassifications made on the initial adoption of IFRS 9 at the date of transition.

ii) Financial assets at fair value through the profit or loss (FVTPL)

Financial assets in this category are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net trading income.

The Bank's investments in funds and portfolio of securities are classified as financial assets at FVTPL (trading securities) in the statement of financial position.

iii) Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Bank can make an irrevocable election to classify an equity investment that is not held for trading as FVTOCI.

For this purpose, a financial asset is deemed to be held for trading if the equity investment meets any of the following conditions:-

- it has been acquired principally for the purpose of selling in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profitability; or
- The irrevocable election is on an instrument-by-instrument basis.

If an equity investment is designated as FVTOCI, all gains and losses, except for dividend income, are recognised in other comprehensive income and are not subsequently included in the Income Statement.

iv) Financial liabilities at amortised cost

All financial liabilities, other than those classified as financial liabilities at FVTPL, are classified as financial liabilities at amortised cost and are measured at amortised cost using the effective interest method.

2.9 Impairment of financial assets

Impairment allowances for expected credit losses (ECL) are recognised for financial instruments that are not measured at FVTPL. No impairment loss is recognised on equity investments.

An ECL provision is made at an amount equal to the lifetime ECL, except for the following, for which a provision is made for a 12-month ECL:

- debt investment securities that are determined to have a low credit risk (equivalent to investment grade rating) at the reporting date; and
- other financial instruments for which the credit risk has not increased significantly since their initial recognition.

2. Summary of significant accounting policies (continued)

2.09 Impairment of financial assets (continued)

The Bank classifies its financial instruments into stage 1, stage 2 and stage 3, based on the applied impairment methodology, as described below: -

- Stage 1: for financial instruments where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired on origination, the Bank recognises an allowance based on the 12-month ECL.
- Stage 2 and 3: for financial instruments where there has been a significant increase in credit risk since initial recognition but they are not credit-impaired, the Bank recognises an allowance for the lifetime ECL.

12-month ECL (stage 1) is the portion of ECL that results from probable default events on a financial instrument within 12 months after the reporting date.

Lifetime ECL (stage 2 and 3) is a probability-weighted estimate of credit losses and is determined based on the difference between the present value of all cash shortfalls. The cash shortfall is the difference between all contractual cash flows that are due to the Bank and the present value of the recoverable amount, for financial assets that are not credit-impaired at the reporting date.

Provisions for credit-impairment are recognised in the Income statement and are reflected in an allowance account against debt securities at amortised cost, and placements.

Financial assets are written off either partially or in their entirety after all restructuring and collection activities have taken place and there is no realistic prospect of recovery. Subsequent recoveries are included in other operating income.

Financial assets that are measured at amortised cost are tested as to whether they are credit-impaired. Objective evidence that a financial asset is credit-impaired may include a breach of contract, such as default or delinquency in interest or principal payments, the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered, indications that it is probable that the borrower will enter bankruptcy or other financial reorganisation, the disappearance of an active market, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

2.10 Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Bank transfers substantially all the risks and rewards of ownership, or (ii) the Bank neither transfers nor retains substantially all the risks and rewards of ownership and the Bank has not retained control.

The Bank enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as ‘pass through’ transfers that result in derecognition if the Bank:

(i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
(ii) Is prohibited from selling or pledging the assets; and
(iii) Has an obligation to remit any cash it collects from the assets without material delay.

2. Summary of significant accounting policies (continued)

2.10 Derecognition other than on a modification (continued)

Collateral (shares and bonds) furnished by the Bank under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Bank retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

When the contractual rights to receive the cash flows from the assets have been transferred, and the Bank neither transfers nor retains substantially all the risks and rewards of ownership, and the Bank has retained control of the transferred assets, the Bank applies continuing involvement approach. Under this approach, the Bank continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Bank.

The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Bank, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Bank when measured on a stand-alone basis, if the transferred asset is measured at fair value.

2.11 Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal or its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a Discounted Cash Flow (DCF) model.

2.12 Property, plant and equipment

Property and equipment are stated at cost less accumulated depreciation. Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down to its recoverable amount.

Generally, costs associated with the maintenance of existing computer software are recognised as an expense when incurred. However, expenditure that enhances and extends the benefits of computer software programs beyond their original specifications and lives is recognised as a capital improvement and capitalised as part of the software.

Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Leasehold improvements	Lessee of 10 years or remaining life of lease
Furniture and fittings	5 years
Office machinery	4 – 5 years
Computer hardware	2 years
Computer software – project	1 – 5 years
Computer hardware – infrastructure	3 – 4 years

2. Summary of significant accounting policies (continued)

2.13 Leases

The Bank assesses whether a contract is or contains a lease, at inception of the contract. The Bank recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Bank recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Bank uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability has been presented within other liabilities in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Bank remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfer’s ownership of the underlying asset or the cost of the right-of-use asset reflects that the Bank expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

2. Summary of significant accounting policies (continued)

The right-of-use assets are presented as a separate line in the statement of financial position.

The Bank applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss by reducing right of use asset.

Bank as a lessor

Leases in which the bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.14 Employee benefits

Short-term employee benefits such as salaries, paid absences and other benefits are accounted for on an accruals basis over the period which employees have provided services in the year. Bonuses are recognised to the extent that the Bank has a present obligation to its employees that can be measured reliably.

All expenses related to employee benefits are recognised in the income statement in staff costs, which is included within operating expenses.

The Bank contributes to defined benefit and defined contribution pension plans which cover substantially all its employees. The assets of the plans are held separately from those of the Bank in independently administered funds and are measured at market values.

Defined benefit plan

The service cost and the net interest on the net defined benefit obligation/asset are all charged (or credited) to the Income statement. The defined benefit obligation is measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The Bank recognizes all gains and losses immediately in the other comprehensive income section of the company's statement of comprehensive income.

As the Bank has an unconditional right to a refund of any surplus in the scheme following a gradual settlement of the liabilities over time, any surplus in the scheme can be recognised in full.

Management, in coordination with an independent qualified actuary, are required to make assumptions regarding the defined benefit pension plan. The principal actuarial assumptions for the defined benefit pension plan are set out in note 9 and include assumptions on the discount rate, return on pension plan assets, mortality, future salary increases, and inflation. Changes in the assumptions could affect the pension liability, service cost and net interest on the defined benefit liability.

Defined contribution plan

The Bank's contributions to defined contribution pension plans are charged to the Income statement in the year to which they relate.

2. Summary of significant accounting policies (continued)

2.15 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in a deferred tax asset or liability: a) the initial recognition of assets and liabilities that affect neither accounting nor taxable profit nor b) differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

2.16 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term government securities.

2.17 Fiduciary activities

The Bank administers and manages assets owned by clients which are not reflected in the financial statements. Asset management fees are earned for providing investment management services and for managing mutual fund products. Asset administration fees are earned for providing custodial services. Fees are recognised as the services are provided and are included in fee and commission income.

2.18 Dividends

Dividend income is recognised as follows:

- dividends from equity instruments classified as FVTPL are recognised when the right to receive the dividend is established and are included in trading income;
- dividends from equity instruments classified as FVTOCI are recognised when the right to receive the dividend is established and are included in other operating income.

2. Summary of significant accounting policies (continued)

2.19 Derivatives and hedge accounting

Derivative financial instruments are contracts, the value of which is derived from one or more underlying financial instruments or indices, and include futures, forwards, swaps and options in the interest rate, foreign exchange, equity and credit markets.

Derivative financial instruments are recognised in the statement of financial position at fair value. Fair values are derived from prevailing market prices, discounted cash flow models or option pricing models as appropriate.

In the statement of financial position, derivative financial instruments with positive fair values (unrealised gains) are included in derivative financial assets and derivative financial instruments with negative fair values (unrealised losses) are included in derivative financial liabilities.

The changes in the fair values of derivative under arbitrage are included within the trading income.

The recognition of changes in the fair values of derivative financial instruments entered into for hedging purposes is determined by the nature of the hedging relationship. For the purposes of hedge accounting, derivative financial instruments are designated as a hedge of either: (i) the fair value of a recognised asset or liability (fair value hedge), or (ii) the future cash flows attributable to a recognised asset or liability or a firm commitment (cash flow hedge).

2.20 Derivatives and hedge accounting (continued)

The Bank's criteria for a derivative financial instrument to be accounted for as a hedge include:

- the hedging instrument, the related hedged item, the nature of the risk being hedged, and the risk management objective and strategy must be formally documented at the inception of the hedge,
- it must be clearly demonstrated that the hedge is expected to be highly effective in offsetting the changes in fair values or cash flows attributable to the hedged risk in the hedged item, including how the Bank will address the hedge ratio,
- the effectiveness of the hedge must be capable of being reliably measured, and
- there is an economic relationship between the hedging instrument and the hedged item and the effect of credit risk does not dominate the fair value changes of that relationship.

Fair value hedge

Changes in the fair values of derivative financial instruments that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk, are included in trading income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk that is being hedged. Unrealised gains and losses arising on hedged assets or liabilities which are attributable to the hedged risk are adjusted against the carrying amounts of the hedged assets or liabilities in the statement of financial position. If the hedge no longer meets the criteria for hedge accounting, any adjustment to the carrying amount of a hedged interest-bearing financial instrument is amortised to income over the remaining period to maturity.

2.20 Fair value measurement

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs.

For all other instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

2.21 Investment in Group entities

Investment in Group entities are carried at cost less any accumulated impairment.

3. Cash and cash equivalents with other banks

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Cash	**17**	9
Balances with central banks	**5,175,033**	5,353,036
Cash and balances with other banks	**150,928**	246,292
	5,325,978	5,599,337

Cash and cash equivalents on the cash flow statement of $5,325,978 (2021: 5,599,337) include placements with maturity of up to 3 months amounting to $Nil (2021: $Nil) – Refer note 4.

4. Placements with banks

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Remaining maturity 3 months or less but not repayable on demand	**2,291,979**	1,721,944
Remaining maturity over 3 months but less than 1 year	**1,369,326**	1,743,455
Remaining maturity over 1 Year but less than 2 years	-	340,421
	3,661,305	3,805,820
Less: Allowance for impairment losses	**(139)**	(119)
	3,661,166	3,805,701

A total of $200mn, (2% of the balance sheet assets), relates to tri-party reverse repo transactions with the Parent (GIB BSC) (2021: $200mn, 2% of balance sheet assets) and a further $100mn, 1% of balance sheet assets, relates to tri-party reverse repo transactions with other banking counterparties (2021: $200mn, 2% of balance sheet assets). The net exposure on all of the tri-party reverse repo transactions amounted to $1.2mn (2021: $0.1mn) of which $Nil (2021: $Nil) was with GIB BSC.

4 Placements with Banks (continued)

4.1 Impairment allowance for placements with banks

The table below shows the credit quality and the maximum exposure to credit risk (before applying the impact of collateral mentioned above) based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

There have been no transfers to stage 1, 2 and 3 and no changes to contractual cash flows due to modification not resulting in derecognition.

	31.12.2022			
	Stage 1 US$ Thousands	**Stage 2 US$ Thousands**	**Stage 3 US$ Thousands**	**Total US$ Thousands**
Investment grade 1-4	**3,661,305**	**-**	**-**	**3,661,305**
Sub-Investment grade (5-7)	-	**-**	**-**	**-**
Classified (8-10)	-	-	-	-
At 31 December	**3,661,305**		**-**	**3,661,305**

	31.12.2021			
	Stage 1 US$ Thousands	**Stage 2 US$ Thousands**	**Stage 3 US$ Thousands**	**Total US$ Thousands**
Investment grade 1-4	3,805,820	**-**	**-**	3,805,820
Sub-Investment grade (5-7)		**-**	**-**	**-**
Classified (8-10)		-	-	-
At 31 December	3,805,820	-	-	3,805,820

The aforementioned internal ratings (Investment grade, sub investment grade and classified) are explained in further details in note 20 (a). An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows

	Collective		**Specific**	**2022**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$ Thousands	**US$ Thousands**	**US$ Thousands**	**US$ Thousands**
Gross carrying amount as at 1 January 2022	**3,805,820**	**-**	**-**	**3,805,820**
New asset originated or purchased	**3,028,017**	**-**	**-**	**3,028,017**
Asset de-recognised or repaid	**(3,172,532)**	**-**	**-**	**(3,172,532)**
Amounts written off	-	-	-	-
At 31 December 2022	**3,661,305**			**3,661,305**

	Collective		**Specific**	**2021**
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$ Thousands	**US$ Thousands**	**US$ Thousands**	**US$ Thousands**
Gross carrying amount as at 1 January 2021	4,988,141	-	-	4,988,141
New asset originated or purchased	4,260,501	-	-	4,260,501
Asset de-recognised or repaid	(5,442,821)	-	-	(5,442,821)
Amounts written off	-	-	-	-
At 31 December 2021	3,805,820	-	-	3,805,820

	Collective		**Specific**	
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	US$ Thousands	**US$ Thousands**	**US$ Thousands**	**US$ Thousands**
At 1st January 2021	85	-	-	85
ECL provision/(reversal) for 2021	34	-	-	34
Gross carrying amount as at 31 December 2021	119	-	-	119
ECL Provision (reversals) during 2022	20	-	-	20
At 31 December 2022	**139**	**-**	**-**	**139**

5. Trading securities

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Equity securities	**73,490**	56,471
Total trading securities	**73,490**	56,471

These trading securities do not have a contractual maturity. The increase in value from 2021 largely relates to the launch of two new funds, the GIB AM Emerging Markets Active Engagement Fund, and the GIB AM Sustainable World Corporate Bond Fund. Trading securities represent investments in funds. These investments are controlled by GIB UK.

6. Financial investments other than those measured at FVTPL

Below is the analysis of Bank's financial investments other than those measured at FVTPL:

Debt securities at amortised cost

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Sovereigns and Governments	**826,293**	925,236
Financial Institutions	**113,346**	36,550
Corporates	**43,986**	40,405
	983,625	1,002,191
Less: Allowance for impairment losses	**(494)**	(375)
	983,131	1,001,816

The above Financial Instruments are held to maturity and as such are valued in the Balance sheet at Book Value. The Market Value of these Financial Instruments as at 31 December 2022 was $968.5m.

6.1 Impairment allowance for financial investment other than those measured at FVTPL

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

The aforementioned internal ratings (Investment grade, sub investment grade and classified) are explained in further details in note 20 (a). An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

				31.12.2022	**31.12.2021**
	Stage 1 US$ Thousands	**Stage 2 US$ Thousands**	**Stage 3 US$ Thousands**	**Total US$ Thousands**	**Total US$ Thousands**
Investment grade 1-4	983,625	-	-	**983,625**	1,002,191
Sub-Investment grade (5-7)	-	-	-	-	-
Classified (8-10)	-	-	-	-	-
At 31 December	**983,625**		-	**983,625**	1,002,191

6 Financial investments other than those measured at FVTPL (continued)

6.1 Impairment allowance for financial investment other than those measured at FVTPL (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows

	Stage 1 US$ Thousands	Stage 2 US$ Thousands	Stage 3 US$ Thousands	Total US$ Thousands
Gross carrying amount as at 1 January 2022	1,002,191	-	-	1,002,191
New asset originated or purchased	539,810	-	-	539,810
Asset de-recognised or repaid	(558,376)	-	-	(558,376)
Amounts written off		-	-	-
At 31 December 2022	**983,625**	**-**	**-**	**983,625**
Gross carrying amount as at 1 January 2021	277,441	-	-	277,441
New asset originated or purchased	724,750	-	-	724,750
Asset de-recognised or repaid	0	-	-	0
Amounts written off	-	-	-	-
At 31 December 2021	**1,002,191**	**-**	**-**	**1,002,191**

	Collective provision		Specific Provision	
	Stage 1 US$ Thousands	Stage 2 US$ Thousands	Stage 3 US$ Thousands	Total US$ Thousands
At 1st January 2021	**247**	-	-	**247**
ECL provision for 2021	128	-	-	128
As at 31 December 2021	**375**	-	-	**375**
ECL provision for 2022	**119**	-	-	**119**
At 31 December 2022	**494**	-	-	**494**

7. Property, plant and equipment

	US $ Thousands		
Cost	**Leasehold improvements**	**Equipment**	**Total**
As at 1 January 2022	**12,729**	**22,884**	**35,613**
Additions	**39**		**39**
As at 31 December 2022	**12,768**	**22,884**	**35,652**
Accumulated depreciation			
As at 1 January 2022	**9,721**	**20,806**	**30,526**
Depreciation charge	**328**	**883**	**1,211**
As at 31 December 2022	**10,049**	**21,689**	**31,737**
Net book value at 31 December 2022	**2,719**	**1,195**	**3,915**
Cost			
As at 1 January 2021	9,447	21,200	30,647
Additions	3,282	1,684	4,966
As at 31 December 2021	12,729	22,884	35,613
Accumulated depreciation			
As at 1 January 2021	9,447	19,810	29,256
Depreciation charge	274	996	1,270
As at 31 December 2021	9,721	20,806	30,526
Net book value at 31 December 2021	3,008	2,078	5,087

7.1 Right of use assets- Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets related to leased properties that do not meet the definition of investment property

	31-Dec-22 USD $ Thousands	31-Dec-21 USD $ Thousands
Balance as at 1 January	**28,260**	31,706
Depreciation charge for the year on right of use assets.	**(2,520)**	(2,247)
Impairment	**0**	(1,199)
Balance at 31 December	**25,740**	28,260

7 Property, plant and equipment (continued)

Impairment of right of use assets

There has been no impairments recognised in the period.

ii) **Profit and loss impact**

Impact on profit or loss for the year ended 31 December 2022

	31-Dec-22 USD $ Thousands	31-Dec-21 USD $ Thousands
Depreciation of right-of-use assets	**(2,520)**	(2,247)
Interest expense on lease liabilities	**(1,125)**	(1,281)
Exchange gains/(losses) on revaluation of lease liability	**4,374**	341
Impairment	**0**	(1,199)
Increase/(Decrease) in profit for the year	**729**	(4,386)

iii) **Bank as a lessor**

GIB UK has entered into a sublease on the property at One Curzon Street, London. The lease tenure is for 5 years. The lease includes a clause to enable upward revision of the rental charge on the 5th anniversary of the term. Rental income recognised during the year was $631,550 (2021: $ nil).

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are, as follows:

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Within one year	689	-
Between 1 and 2 years	689	-
Between 2 and 3 years	689	-
Between 3 and 4 years	689	-
	2,756	**-**

8. Other assets

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Prepayments and accrued income	**3,858**	5,012
Post-retirement benefit assets	**55,236**	45,367
Interest receivable	**52,848**	5,570
Overseas tax	**2,966**	3,174
Other	**3,654**	348
	118,562	59,471
Less: provision on overseas tax claim*	**(2,966)**	(3,174)
	115,596	56,297

The increase in interest receivable is due to the increase in interest rates by the Bank of England.

* The provision is in relation to the with-holding tax claim from ZATCA (tax authority in Saudi Arabia). The management has decided to recognise a provision considering the uncertainty associated with the recoverability of this asset given an on-going claim.

9. Employee benefits

The Bank contributes to defined benefit and defined contribution pension schemes which cover substantially all of its employees. A defined benefit pension scheme is maintained for employees employed prior to 1 January 2003. A defined contribution scheme is run for employees who joined the Bank from 1 January 2003.

a) Defined benefit plans

UK Scheme

The Scheme is a registered defined benefit final salary scheme subject to the UK regulatory framework for pensions, including the Scheme Specific Funding requirements. The Scheme is operated under trust and as such, the trustees of the Scheme are responsible for operating the Scheme and they have a statutory responsibility to act in accordance with the Scheme's Trust Deed and Rules, in the best interest of the beneficiaries of the Scheme, and the UK legislation (including Trust law). The Trustees have the power to set the contributions that are paid to the scheme, subject to the agreement of the Bank.

The Schedule of Contributions dated 16 July 2020, sets out the current contributions payable by the Bank to the Scheme. This was agreed as part of the Scheme's tri-annual valuation as at 31 December 2021. As part of the valuation process the Trustees and the Bank have agreed a long term funding strategy, which includes a revision to the Schedule of Contributions to take into account any additional contributions to meet any funding shortfall between the value of the Scheme's assets and liabilities.

Accounting for retirement benefit obligations involves a number of key assumptions which require management's judgement including the application of a 0% increase instead of the discretionary increase. The pension position for the current year has moved from a net asset position of $45.4m as at December 2021 to a net asset position of $55.2m. This is driven due to a reduction of both plan assets and defined benefit obligations.

US Scheme

The Bank operates a funded defined benefit pension scheme for certain United States of America based employees which had obligations of $1.374mn (2021: $1.558mn) and assets of $1.308mn (2021: $1.548mn) at 31 December 2022, these figures are included in the figures below.

The amounts recognised in the statement of financial position were analysed as follows:-

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Fair value of plan assets	**174,354**	244,356
Present value of defined benefit obligations	**(119,118)**	(198,988)
Net asset in statement of financial position	**55,236**	45,368

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9 Employee benefits (continued)

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Defined benefit obligation at start of year	**198,988**	208,633
Current service cost	**469**	563
Interest cost on defined benefit scheme obligation	**3,348**	2,612
Net remeasurement (gains)/losses - demographic	**(157)**	211
Net remeasurement (gains)/losses - financial	**(69,197)**	(13,245)
Net remeasurement (gains)/losses - experience	**13,096**	7,889
Benefits paid	**(5,975)**	(5,830)
Past service cost including curtailment	**-**	-
Exchange differences	**(21,454)**	(1,845)
Defined benefit obligation at end of year	**119,118**	198,988

Changes in the fair value of plan assets were as follows:-

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Fair value of the plan assets at start of year	**244,356**	225,140
Interest Income on scheme assets	**4,106**	2,813
Return on assets excluding amounts included in net interest	**(47,063)**	24,373
Employer Contributions	**4,563**	372
Benefits paid	**(5,975)**	(5,830)
Exchange differences	**(25,633)**	(2,512)
Fair value of the plan assets at end of year	**174,354**	244,356

There were no material curtailments or settlements during the year.

The Group expects to contribute GBP0.3mn (US$0.3mn) to the pension plans in the period ended 31 December 2023

Plan assets disclosure UK Scheme	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Hedge Fund	**41,334**	60,484
Equity instruments	**33,159**	79,100
LDI Fund	**39,333**	55,556
Cash	**26,896**	6,645
Debt instruments	**-**	15,630
Real estate	**32,466**	25,392

All Scheme assets have quoted prices in active markets. The Scheme assets do not include any directly or indirectly owned financial instruments issued by Gulf International Bank (UK) Limited.

9 Employee benefits (continued)

The nature of the Scheme exposes the Bank to the risk of paying unanticipated additional contributions to the Scheme in times of adverse experience. The most financially significant risks are likely to be:

Members living for longer than expected,

Higher than expected actual inflation and salary increase experience,

- The risk that movements in the value of scheme's liabilities are not met by corresponding movements in the value of the scheme's assets.

The amounts recognised in the Income statement were as follows:-

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Current service cost	**469**	563
Net Interest income/cost on net defined benefit scheme obligations/assets	**(758)**	(201)
Past service costs including Curtailments	**-**	-
Amortisation of actuarial loss		-
Total included in staff expenses	**(289)**	362

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9 Employee benefits (continued)

Information about the defined benefit obligation:-

	Liability split		Duration (years)	
	2022	**2021**	**2022**	**2021**
Active members	**5.0%**	8.6%	**19.8**	22.2
Deferred members	**44.0%**	52.9%	**16.6**	20.5
Pensioners	**51.0%**	38.5%	**10.8**	12.8
Total	**100%**	100%	**13.9**	17.8

The principal actuarial assumptions used for accounting purposes were as follows:-

	31.12.2022	**31.12.2021**
Discount rate	**4.8%**	1.9%
Rate of salary increases	**3.0%**	3.0%
Retail Price Inflation (% p.a)	**3.2%**	3.4%
Consumer Price Inflation (% p.a)	**2.3%**	2.7%
Rate of pension increases (5% Limited Price Indexation)	**3.1%**	3.3%
Rate of pension increases (2.5% Limited Price Indexation)	**2.2%**	2.3%

Total life expectancy from age 60 at year end for (years)

	31.12.2022	**31.12.2021**
male aged 40	**28.4**	28.6
male aged 60	**27.8**	28.1
female aged 40	**30.9**	30.5
female age 60	**29.8**	29.6

Change in assumptions compared with 31 December actual assumptions		Change in Actuarial value of Liabilities on 31 December 2022	Actuarial value of Liabilities on 31-Dec-2022
		US$ Thousands	
Base Case			117,743
Discount rate	0.5 % decrease	Increase of 8,235	125,979
Life Expectancy	1 year increase	increase of 3,532	121,275
Inflation	0.5 % increase	increase of 4,199	121,942

The sensitivity analysis disclosed is intended to provide an indication of the impact on the value of the UK's Scheme's liabilities of the risks highlighted.

The sensitivities disclosed were calculated using approximate methods taking into account the duration of the Schemes' liabilities. There is no change in the method and assumptions used from the previous period.

The Scheme has a hedging portfolio (with a value of $39.3mn at 31 December 2022, 2021: $56.6mn) designed to hedge 75% of pure inflation risk and 50% of the interest rate risk.

9 Employee benefits (continued)

Outside of this, the Trustees' current investment strategy, having consulted with the Bank, is to invest the vast majority of the Scheme's assets in a mix of equities, bonds and multi-asset funds, in order to strike a balance between; maximising the returns on the Scheme's assets and minimising the risks associated with the lower than expected returns on the Scheme's assets. The Trustees are required to regularly review their investment strategy in light of the revised term and nature of the Scheme's liabilities.

b) Defined contribution scheme

A defined contribution scheme was created for all employees who commenced employment with the Bank after 1 January 2003. Contributions are based on a percentage of salary. The amounts to be paid as retirement benefits are determined by reference to the amounts of the contributions and the investment earnings thereon. The total cost of contributions to the defined contribution pension plans for the year ended 31 December 2022 was $2.4mn (2021: $2.6mn).

10. Deposits from banks

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Repayable on demand	**20,389**	2,712
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	**345,864**	31,074
- 1 year or less but over 3 months	**4,712**	1,652
	370,965	35,438

Deposits from banks includes $250mn (2021: $Nil) from Gulf International Bank BSC.

11. Deposits from customers

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Repayable on demand	**2,095,638**	3,897,118
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	**4,247,153**	2,361,857
- 1 year or less but over 3 months	**2,980,637**	3,763,133
	9,323,428	10,022,108

12. Other liabilities

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Interest payable	**46,208**	1,113
Accrued expenses	**15,179**	8,945
Other Liabilities	**4,945**	8,276
Lease liabilities (i)	**31,558**	36,922
	97,890	**55,256**

i) Lease Liabilities

Changes in liabilities arising from financing activities

	2022 US$ Thousands	2021 US$ Thousands
Lease liabilities as at 1 January	36,922	35,982
Finance cost	1,125	1,281
Foreign exchange impact	(4,374)	(341)
Less: cash flows in relation to the principal portion of the lease payments	(2,115)	-
Total as at 31 December	31,558	36,922

No new leases were entered into in 2022.

13. Share capital and reserves

The total number of authorised ordinary shares at 31 December 2022 was 480 million shares of $1 each (2021: 480 million shares of $1 each). The total number of issued ordinary shares at 31 December 2022 was 250 million shares of $1 each (2021: 250 million shares of $1 each).

All issued ordinary shares are fully paid.

Capital contribution

The capital contribution was in relation to the 2018 GIB BSC's purchase of an underlying exposure at par on which the Bank had suffered a fair value decline.

Pension reserves

The surplus or a deficit on a defined benefit pension scheme results in an asset or a liability being recognised by the Bank, the recognition of the pension asset or liability results in the creation of a pension reserve.

14. Net interest income

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Interest income from financial instruments measured at amortised cost		
Interest on placements and other liquid assets	**218,944**	24,878
Interest on securities	**3,626**	2,871
Total	**222,570**	27,749
Other Interest income/(expense)		
Net interest on derivative hedges	**1,524**	(5,363)
Finance cost on lease liabilities	**(1,125)**	(1,282)
Total	**399**	(6,645)
Interest expense from financial instruments measured at amortised cost		
Interest on deposits	**(184,447)**	(9,043)
Total interest expense	**(184,447)**	(9,043)
Net interest income	**38,522**	12,061

15. Net fee and commission income

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Fee and commission income:		
Investment banking and management fees- Investment banking	**2,092**	3,810
Commissions on letters of credit and guarantee- Treasury and Banking	**969**	1,028
Other fee and commission income	**403**	393
Total fee and commission income	**3,464**	5,231
Fee and commission expense:		
Brokerage	**(366)**	(331)
Commissions paid	**(240)**	(428)
Nostro charges	**(730)**	(436)
Total fee and commission expense	**(1,336)**	(1,195)
Net fee and commission income	**2,128**	4,036

16. Net trading income/ (loss)

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Equities and other trading income	**1,842**	(1,748)
Derivatives under Arbitrage	**2,911**	5,119
	4,753	3,371

Trading income included losses from seed investments in GIBUK's managed funds amounting to $11.4m (2021: $6.6m gain). GIBUK enters into derivative contracts to economically hedge the seed investments, the gain of those derivatives was $13.2m (2021: $8.3m loss). The gain on the revaluation of foreign exchange swaps was $2.9m (2021: $5.1m gain).

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17. Operating expenses and Auditors' remuneration

	Note	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Staff Costs	18	**33,831**	26,151
Premises		**878**	2,285
Depreciation	7	**1,211**	1,269
Depreciation on right of use assets		**2,520**	2247
Other expenses		**14,242**	11,062
		52,682	43,014
Auditor's remuneration			
Audit of these financial statements		**404**	335
Amounts receivable by the company's auditor and its associates in respect of:			
- further regulatory assurance related services		**33**	42
- audit related assurance services		**-**	35

18. Staff costs

	Note	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Salaries and wages		**25,977**	18,115
Social security costs		**3,258**	2,304
Pension costs:			
- Defined Contribution plans	9	**2,736**	2,605
- Defined Benefit plans	9	**(289)**	363
Other staff costs		**2,149**	2,764
		33,831	26,151

The average number of persons employed by the Bank during the year was 101 (2021: 81).

19. Income tax expense

Recognised in the statement of comprehensive income

	31.12.2022 US$ Thousands	31.12.2021 US$ Thousands
Current tax (credit)/charge:		
Current tax on income for the year	**-**	(1,013)
Adjustment in relation to prior years	**-**	42
Foreign Exchange differences	**109**	(22)
Deferred tax credit:	**-**	-
Deferred tax relating to the origination and reversal of temporary differences	**1,549**	(4,075)
Effect of Tax rate change	**489**	(1,850)
Adjustment in relation to prior years	**(111)**	287
Tax (credit)/charge	**2,036**	(6,631)

19 Income tax expense (continued)

b) Reconciliation of the total tax charge/(credit)

		31.12.2022		31.12.2021
		US$ Thousands		US$ Thousands
Profit/(Loss) before tax		9,146		(13,571)
Corporation tax using the domestic corporation tax rate	19.00%	1,738	19.00%	(2,578)
Non deductible expenses	0.1%	9	(0.8%)	104
Income not taxable for tax purposes	(2.2%)	(199)	0.3%	(43)
Movement in deferred tax asset not recognised	0.0%	-		
- in respect of losses	0.0%	-	11.7%	(1,582)
Adjustment in relation to prior years - current tax	0.0%		(0.3%)	42
Adjustment in relation to prior years - deferred tax	(1.2%)	(111)	(2.1%)	287
Current Tax exchange difference arising on movement between open/close spot rates	1.2%	109	(0.3%)	34
Remeasurement of deferred tax for changes in tax rates	5.4%	489	13.6%	(1,850)
Foreign exchange difference/(revaluation)	0.0%	0	0.2%	(22)
Other Permanent Differences	0.0%	2	0.0%	-
Fixed Asset Differences	(0.0%)	(1)	0.1%	(10)
Utilisation of unrecognised losses via an extended loss carry back claim	0.0%	-	7.5%	(1,013)
Total tax (credit)/charge		**2,036**		**(6,631)**
		22%		49%

c) Deferred taxation

Movement in deferred tax	**31.12.2022**	**31.12.2021**
	US$ Thousands	**US$ Thousands**
Deferred tax asset as at 1 January	**(1,851)**	
Prior year adjustment to deferred tax (charge) / credit	**111**	(287)
Deferred tax movement through P&L (charge) / credit	**(1,549)**	4,075
Deferred tax movement through OCI (charge) / credit	**(1,304)**	(7,489)
Rate change adjustment in P&L (charge) / credit	**(489)**	1,850
Deferred tax included directly in equity	**50**	-
Deferred tax (liability)/asset as at 31 December	**(5,032)**	**(1,851)**

Recognised deferred tax (liability) (Net)	**31.12.2022**	**31.12.2021**
	US$ Thousands	**US$ Thousands**
Pensions	**(12,783)**	**(10,788)**
Fixed Assets	**217**	**139**
Tax Losses	**7,409**	**8,673**
Deferred Remuneration	**125**	**125**
Recognised deferred tax (liability) (Net)	**(5,032)**	(1,851)

Unrecognised deferred tax asset (Gross)	31.12.2022	**31.12.2021**
	US$ Thousands	**US$ Thousands**
Tax Losses	**-**	-

Corporation tax rate

On 3 March 2021 the UK Government announced that the corporation tax rate will rise to 25% from 1 April 2023 and this legislation was enacted in June 2021. Therefore on the basis that the deferred tax balances are not expected to materially reverse until after 1 April 2023, deferred tax has been recognised at 25%.

Further, on 27 October 2021, the UK Government announced its intention to decrease the banking surcharge rate from 8% to 3% and increase the surcharge allowance from £25 million to £100 million from 1 April 2023. This was substantively enacted on 2 February 2022. On the basis that the Bank is not expected to breach the allowance thresholds, the banking surcharge is not expected to apply and therefore the reduction in its rate is expected to be immaterial to the tax balances.

20 Risk management

The principal risks associated with the Bank's business are credit risk, market risk, liquidity risk and operational risk.

The Bank's policy is to have a comprehensive risk management framework in place for managing and controlling these risks which is constantly evolving as the business activities change in response to credit, market, product and other developments. This includes limits covering nominal transaction sizes, individual counterparty, country and concentration limits, liquidity and maturity profiles and value at risk ("VaR") as well as policies and procedures to minimise the impact of operational risk.

The risk management framework incorporates an evaluation of risk appetite expressed in terms of formal risk limits, risk Oversight independent of business units, disciplined risk assessment and measurement including VaR methodologies and portfolio stress testing and risk diversification.

The Board of Directors sets the Bank's overall risk parameters and risk tolerances, and the significant risk management policies. Management has the responsibility for establishing and monitoring various limits for market and credit risk and for ensuring that the Bank's aggregate risk remains within Board guidelines. Such risks arising out of the Bank's business are monitored daily and risk limits are reviewed at regular intervals in the light of prevailing market conditions.

The risk management control process is based on a detailed structure of policies, procedures and limits, and comprehensive risk measurement and management information systems for the control, monitoring and reporting of risks. Periodic reviews by internal audit and regulatory authorities subject the risk management processes to additional scrutiny which help to further strengthen the risk management environment.

GIB (UK) has a dedicated Risk & Compliance function independent of business units headed by the CRCO and ensures that it has the necessary skills, expertise, and competency and authority to discharge its responsibilities.

The principal risks associated with the Bank's business and the related risk management processes are commented on below:

a) Credit risk

Credit risk represents the potential loss to the Bank when counterparty fails to meet its obligations. The Bank is exposed to credit risk from its Treasury lending activities in addition to other transactions involving both on and off balance sheet financial instruments and from the non-performance of counterparties and issuers. The Bank aims to have disciplined processes in place at both the business unit and corporate level that are intended to ensure that risks are accurately assessed and properly approved and monitored.

Under an intra-group service level agreement, the GIB BSC Credit Risk Management Function is responsible for monitoring credit risk against the limits determined by GIB (UK) management. Credit limits are applied at the individual counterparty, country and portfolio levels. The limit setting and monitoring processes involve an analysis of financial and other information about the counterparty, including credit ratings, collateral, if any, to be provided in the transaction and the duration of the transaction.

It monitors, manages and controls credit risk exposures based on an internal credit rating system that rates individual obligors based on a rating scale from 1 to 10, subject to positive (+) and negative (-) modifiers for rating grades 2 to 6. The internal credit rating is a measure of the credit-worthiness of a single obligor, based on an assessment of the credit risk relating to senior unsecured, medium term, foreign currency credit exposure. The primary objectives of the internal credit rating system are to maintain a single uniform standard for credit quality measurement, and to serve as the primary basis for Board-approved risk parameters and delegated credit authority limits. Ratings are assigned to obligors, rather than facilities, and reflect a medium term time horizon, thereby rating through an economic cycle.

20 Risk management (continued)

a) Credit risk (continued)

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative tests based on the movement of PDs and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators and expert credit assessment and inclusion of forward looking information.

Credit risk grades as aforementioned are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates. Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. Therefore the risk of default occurring increases as the credit risk deteriorates i.e 2 and above, between 2- and 3+, between 3 and 4+, and 4 and below, are considered to be increase in credit risk where they have been downgraded 6 notches, 5 notches, 4 notches and 3 notches respectively since initial recognition, and where the current pricing has not been adjusted to reflect the new risk profile of the counterparty.

The rating system is different for the Debt investment securities where the globally recognised international investment grades are used. These are considered to have low credit risk when their credit risk rating is equivalent to the globally understood definition of an investment grade rating or a debt investment security with similar credit risk characteristics.

Definition of default

The Bank considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as liquidating collateral; or the borrower is past due more than 90 days on any credit obligation to the Bank. The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements. For all other cases, in assessing whether a borrower is in default the Bank considers both qualitative factors such as breaches of covenants and quantitative factors such as overdue status and non-payment on another obligation of the same issuer to the Bank.

Incorporation of forward-looking information

The Bank incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Parent's Chief Economist and consideration of a variety of external actual and forecast information, the Bank formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

The Bank has identified economic factors such as the International Monetary Fund (IMF) trends in fiscal balances and GDP growth in key markets of the Kingdom of Saudi Arabia, United Arab Emirates and United States of America as well as the views of the Chief Economist. Given the nature of the Bank's exposures and availability of historical statistically reliable information, the Bank derives the point-in-time (PIT) probability of default (PD) using the through-the-cycle (TTC) PD data published by Standard & Poor's (S&P) for each rating category. The Bank uses the Vasicek model to link the TTC PDs with forward looking economic factors to drive PIT PD estimates for each rating category. The Vasicek model takes into consideration forward looking economic forecasts under three scenarios (base case, negative case, and positive case), historical economic data, the asset correlation of each rating category (as per the Basel IRB economic capital formula), and TTC PDs for deriving PIT PDs. The relationship between the economic factors and default and loss rates have been developed using internal historical data and relevant external market data.

20 Risk management (continued)

a) Credit risk (continued)

Measurement of ECL

The key input parameters into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). These parameters are derived from internally developed statistical models, other historical data using both internal and external factors, and incorporates forward-looking information.

PD estimates are estimates at a certain date and are calculated using Standard & Poor's recovery studies data after consideration of the contractual maturities of exposures and estimated prepayment rates and are derived using the Vasicek model.

The PIT PD estimates are converted to cumulative PIT PDs for exposures that have tenors in excess of one year and that are assessed on lifetime PDs. The lifetime PDs are calculated by compounding the 12 month PIT PDs.

LGD is the magnitude of the likely loss if there is a default. The Bank estimates LGD parameters based on the historical data of recovery rates of claims against defaulted counterparties using both internal and external factors.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD is converted to balance sheet equivalents.

Subject to a maximum of 12-month PD for financial assets for which credit risk has not significantly increased, the Bank measures ECL considering the risk of default over the maximum contractual period over which it is exposed to credit risk.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics including instrument type, credit risk ratings and geographic location of the borrower.

The Bank calculates PIT PD estimates under three scenarios, a base case, negative case and positive case. A probability weighted ECL is then calculated by assigning probabilities, based on current market conditions, to each scenario. At 31st December 2022, the probabilities assigned to the base case, negative case and positive case scenarios were in the ratio of 50:25:25 respectively (2021: 50:25:25)

Credit-impaired loans

Credit-impaired loans and advances are graded 8 to 10 in the Bank's internal credit risk grading systems.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons including changing market conditions, and other factors not related to the current or potential credit deterioration of a customer. When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of its remaining lifetime PD at the reporting date based on modified terms, with the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms

20 Risk management (continued)

a) Credit risk (continued)

Settlement risk

Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, securities, or other assets as contractually agreed.
For certain types of transactions, the Bank mitigates this risk by conducting settlements through a settlement or clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval and limit monitoring process

Bank classification of asset and liabilities and their fair values

The table below sets out the Bank's classification of each class of financial assets and liabilities, and their fair values

As at 31 December 2022

	FVTPL	Cash & Placements	Debt securities at amortised cost	Others	Total	Fair value
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalents	-	5,326	-	-	5,326	5,326
Placements with banks	-	3,661	-	-	3,661	3,661
Investment Securities	-	-	983	-	983	969
Trading securities	73	-	-	-	73	73
Derivative financial assets	70	-	-	-	70	70
Other assets	-	-	-	147	147	147
	143	8,987	983	147	10,260	10,246
Deposits from banks	-	371	-		371	371
Deposits from customers	-	9,323	-		9,323	9,323
Derivative financial liabilities	44	-	-		44	44
Other liabilities		-	-	103	103	103
	44	9,694	-	103	9,841	9,841

As at 31 December 2021

	FVTPL	Cash & Placements	Debt securities at amortised cost	Others	Total	Fair value
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalents	-	5,599	-	-	5,599	5,599
Placements with banks	-	3,806	-	-	3,806	3,806
Investment Securities	-	0	1,002	-	1,002	1,002
Trading securities	56	-	-	-	56	56
Derivative financial assets	22	-	-	-	22	22
Other assets	-	-	-	91	91	91
	78	9,405	1,002	91	10,576	10,576
Deposits from banks	-	35	-	-	35	35
Deposits from customers	-	10,022	-	-	10,022	10,022
Derivative financial liabilities	55	-	-	-	55	55
Other liabilities	-	-	-	57	57	57
	55	10,057	-	57	10,169	10,169

20 Risk management (continued)

a) Credit risk (continued)

The gross maximum exposure to credit risk before applying collateral, guarantees and other credit enhancements is the same as the carrying value. The collateral received in the reverse repo transactions is in the form of highly rated debt securities. These collateralised lending transactions are conducted under standardised terms that are usual and customary for such transactions. The securities held as collateral in the reverse repo deals were amounting to $299.9mn (2021: $400mn)

Credit risk concentration

The Bank monitors concentrations of credit risk by geographic location. The geographical distribution of risk assets is set out below. An analysis of the credit risk in respect of foreign exchange and derivative financial instruments is set out in note 21

Geographic risk exposure

	Placements, cash & cash equivalents	Debt Securities at amortised cost & Trading securities	Credit - related contingent items	Others	Total exposure
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
As at 31 December 2022					
GCC	1,402	66	-	14	1,482
Europe	6,932	84	-	99	7,115
North America	513	237	-	1	751
Asia	140	669	-	2	811
Oceania	0	-		-	0
Total	**8,987**	**1,056**	**-**	**116**	**10,159**
As at 31 December 2021					
GCC	1,328	58	-	3	1,389
Europe	7,245	193	-	54	7,492
North America	304	39	-	-	343
Asia	506	767	-	1	1,274
Oceania	22	-		-	22
Total	**9,405**	**1,057**	**-**	**58**	**10,520**

GCC refers to the Gulf Cooperation Council, a regional, intergovernmental political and economic union that consists of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

All the above exposures were neither past due nor impaired in the current year and prior year.

The internal ratings map directly to the rating grades used by the international credit rating agencies as follows:

20 Risk management (continued)

a) Credit risk (continued)

Internal rating grade	Internal classification	External rating Fitch and S&P	External rating Moody's
Investment grade			
Rating grade 1	Standard	AAA	Aaa
Rating grade 2	Standard	AA	Aa
Rating grade 3	Standard	A	A
Rating grade 4	Standard	BBB	Baa
Sub-investment grade			
Rating grade 5	Standard	BB	Ba
Rating grade 6	Standard	B	B
Rating grade 7	Standard	CCC	Caa
Classified			
Rating grade 8	Substandard	CC	Ca
Rating grade 9	Doubtful	C	C
Rating grade 10	Loss	D	-

	31.12.2022	31.12.2022	Total
	US$ mn	US$ mn	US$ mn
	Cash and Cash equivalents & Placements	Debt Securities	
Stage 1 (12 Month ECL)			
Rating grades 1 to 4	8,987	983	9,970
Carrying value	**8,987**	**983**	**9,970**
Stage 2 (Life ECL but not credit-impaired)	-	-	-
Stage 3 (Life ECL and credit-impaired)	-	-	-
Total	**8,987**	**983**	**9,970**

	31.12.2021	31.12.2021	Total
	US$ mn	US$ mn	US$ mn
	Cash and Cash equivalents & Placements	Debt Securities	
Stage 1 (12 Month ECL)			
Rating grades 1 to 4	9,405	1,002	10,407
Carrying value	**9,405**	**1,002**	**10,407**
Stage 2 (Life ECL but not credit-impaired)	-	-	-
Stage 3 (Life ECL and credit-impaired)	-	-	-
Total	**9,405**	**1,002**	**10,407**

20 Risk management (continued)

a) Credit risk (continued)

The above analysis is reported net of the following ECL provisions for impairment:

	Cash and Cash equivalents, Placements and Loans	Debt Securities	
	US$ Thousands	US$ Thousands	US$ Thousands
Stage 1	119	375	494
Stage 2	-	-	-
Stage 3	-	-	-
	-	-	-
Total as at 31 Dec 2021	119	375	494
Stage 1 provisions during 2022	20	119	139
Total as at 31 Dec 2022	**139**	**494**	**633**

b) Market risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, instrument prices and market conditions. The Market risk arise from the Treasury activities and investments in GIB UK's own products. GIB UK has established market risk limits, encompassing both VaR and non-VaR parameters. The tool used to calculate VaR was changed from RiskMetrics to Murex on July 31st 2021. The VaR methodology was changed from Monte Carlo VaR to Historical VaR, now with a 95% confidence level, 0.97 decay factor, one-year time horizon, and a 21-day holding period. Total diversified VaR at year-end-2022 was $2.27mn, equivalent to 0.55% of equity (2021: $1.1mn, 0.28% of equity). The minimum, maximum and average VaR in 2022 were $0.18mn, $6.23mn and $2.90mn respectively (2021: $0.54mn, $3.0mn and $1.7mn). Derivative instruments are used as hedges against the risk of treasury losses from mismatches in maturities, interest rates and currencies in relation to the asset and liability. Foreign exchange forwards and interest rate and currency swap agreements are most commonly used to this effect. Net open currency positions are relatively small and are re-valued on a regular basis. Trading on the spot and forward foreign exchange markets is mainly client driven.

	2022	2022	2021	2021
	US $ mn	Average US $ mn	US $ mn	Average US $ mn
Interest rate risk	1.2	2.3	0.2	0.6
Foreign exchange risk	0.1	0.2	0.2	0.4
Equity & Managed Funds	2.4	1.2	1.2	1.7
Total diversified risk	2.3	2.9	1.2	1.8

Non-trading market risk: Structural interest rate risk arises in the Bank's statement of financial position as a result of mismatches in the repricing of interest rate sensitive financial assets and liabilities. The associated interest rate risk is managed within VaR limits. The Bank does not maintain material non-trading foreign currency open positions. In general, the Bank's policy is to match assets and liabilities in the same currency or to mitigate currency risk through the use of currency swaps.

Interest rate risk: Interest rate risk is the potential adverse impact on the Bank's future cash flows from changes in interest rates and arises from the differing interest rate risk characteristics of the assets and liabilities. The risk appetite for market risk in the banking book is limited, the expectation being that most placements will match incoming deposits. Some degree of gapping is permitted and to control this, a weekly VaR is run and utilisation is monitored against the limit. The limit as at 31 December 2022 is $3mn (2021: $3mn).

20 Risk management (continued)

The banking book is run on a largely matched basis with the term of the incoming customer deposits being matched when placing money market deposits. The Bank runs weekly VaR on the portfolio and the results of this process confirm the largely matched nature of the portfolio.

As at 31 December 2022 a parallel upward shift in the interest rate curve by 200 basis points would equate to a positive impact of $10.1mn (2021: $4.4mn).

Interest rate sensitivity gap analysis

Part of the Bank's return on financial instruments is obtained from controlled mismatching of the dates on which the instruments mature or, if earlier, the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates. The table below summarises these re-pricing mismatches on the Bank's non-trading book as at 31 December 2022. Items are allocated to time bands by reference to the earlier of maturity and the next contractual interest rate re-pricing date.

Gulf International Bank (UK) Limited (Company number 1223938)

	As at 31 December 2022							
	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years	Non-interest bearing items	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Assets								
Cash and cash equivalents	5,326	-	-	-	-		-	**5,326**
Placements with banks	2,292	786	583	-				**3,661**
Debt Securities at amortised cost	91	305	173	270	144	-		**983**
Property , equipment , ROA and other assets	-	-	-	-	-		290	**290**
Total assets	7,709	1,091	757	270	144	-	290	**10,260**
Liabilities & shareholder equity								
Deposits from banks	369	2	-	-	-	-	-	**371**
Deposits from customers	6,343	2,332	648	-	-	-	-	**9,323**
Other liabilities	-	-	-	-	-	-	147	**147**
Shareholder funds	-	-	-	-	-	-	419	**419**
Total liabilities & shareholder equity	6,712	2,334	648	-	-	-	566	**10,260**
On-balance sheet items	997	(1,243)	109	270	144	-	(276)	
Effect of derivatives (Interest Rate Swaps) held for risk management	47	391	290	(259)	(469)	-	-	
As at 31 December 2022								
Interest rate sensitivity gap	1,044	(852)	399	11	(325)	-	(276)	
Cumulative interest rate sensitivity	1,044	192	591	601	276	276	1	

Interest rate sensitivity gap analysis

	As at 31 December 2021							
	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	4 and 5 years		Non-interest bearing items	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn		US$ mn	US$ mn
Assets								
Cash and cash equivalents	5,599	-	-	-	-	-	-	**5,599**
Placements with banks	1,721	1,220	523	341	-	-	-	**3,805**
Debt Securities at amortised cost	2	235	304	411	48	-	-	**1,000**
Property , equipment and other assets	-	-	-	-	-	-	90	**90**
Total assets	7,322	1,455	827	752	48	-	90	**10,494**
Liabilities & shareholder equity								
Deposits from banks	33	2	-	-	-	-	-	**35**
Deposits from customers	6,259	2,001	1,762	-	-	-	-	**10,022**
Other liabilities	-	-	-	-	-	-	55	**55**
Shareholder funds	-	-	-	-	-	-	407	**407**
Total liabilities & shareholder equity	6,292	2,003	1,762	-	-	-	462	**10,519**
On-balance sheet items	1,030	(548)	(935)	752	48	-	(372)	
Effect of derivatives (Interest Rate Swaps) held for risk management	10	407	393	(765)	(45)	-	-	
As at 31 December 2021								
Interest rate sensitivity gap	1,040	(141)	(542)	(13)	3	-	(372)	
Cumulative interest rate sensitivity	1,040	899	357	344	347	347	(25)	

20 Risk management (continued)

b) Market risk (continued)

Interest rate sensitivity gap analysis (continued)

A positive interest rate sensitivity gap exists when more assets than liabilities reprice during a given period. Although a positive gap position tends to benefit net interest income in an increasing interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within repricing periods and among currencies.

The more significant market risk-related activities of a non-trading nature undertaken by the Bank, the related risks associated with those activities and the types of derivative financial instruments used to manage and mitigate such risks are summarised as follows:-

Activity	Risk	Risk Mitigant
Fixed rate assets funded by floating rate liabilities	Sensitivity to increases in short-term interest rates	Pay fixed interest rate swaps
Investment in foreign currency assets	Sensitivity to strengthening of US$ against other currencies	Currency swaps
Expenses in foreign currency	Sensitivity to strengthening of US$ against other currencies	Currency swaps

c) Liquidity risk

GIBUK’s only material source of liquidity risk arises from its Treasury and Banking services business which involves taking deposits and placing these funds in the interbank market and money market instruments mainly for the same tenor as that on which they have been borrowed. The majority of deposits are provided by three depositors. In order to mitigate this funding concentration risk, customer deposits are largely placed in the market on a matched basis so that the withdrawal of any individual depositor would not adversely affect the overall liquidity position. Any liquidity gaps are covered by the placement of funds at Central Banks and other highly liquid assets. The monitoring of liquidity positions and customer concentration against both regulatory and internally set limits takes place on a daily basis and is formally reviewed on a weekly basis by Senior Management.

Liquidity management policies are designed to ensure that funds are available at all times to meet the funding requirements of the Bank, even in adverse conditions. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet the current financial commitments but also to facilitate business expansion. The aim is to meet these objectives through the application of robust liquidity controls. These controls provide security of access to funds without undue exposure to increased costs from the liquidation of assets or the aggressive bidding for deposits. The Bank's liquidity controls add assurance that, over the short term, the future profile of cash flows from maturing assets is adequately matched to the maturity of liabilities. Liquidity controls also provide for the maintenance of a stock of liquid and readily realisable assets and a diversified deposit base in terms of both maturities and range of depositors. Stress tests are also performed on a monthly basis.

20 Risk management (continued)

The gross cash flows payable by the Bank under financial liabilities, based on contractual maturity dates, was as follows:-

c) Liquidity risk

	Carrying amount	Gross nominal inflow / (outflow)	Within 3 months	4 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
As at 31 December 2022							
Deposits from banks	371	(371)	(366)	(5)	-	-	-
Deposits from customers	9,323	(9,324)	(6,343)	(2,981)	-	-	-
Other liabilities including Lease liabilities	103	(102)	(67)	(4)	(5)	-	(26)
Derivative financial instruments:					-	-	-
- contractual amounts payable	44	(44)	(44)	-	-	-	-
- contractual amounts receivable	(70)	70	70	-	-	-	-
Total undiscounted financial liabilities	9,771	(9,771)	(6,750)	(2,990)	(6)	-	(26)
As at 31 December 2021							
Deposits from banks	35	(35)	(33)	(2)	-	-	-
Deposits from customers	10,022	(10,022)	(6,259)	(3,763)	1	-	-
Other liabilities	55	(54)	(19)	(5)	(5)	(2)	(23)
Derivative financial instruments:					-	-	-
- contractual amounts payable	55	(55)	(55)	-	-	-	-
- contractual amounts receivable	(22)	22	22	-	-	-	-
Total undiscounted financial liabilities	10,145	(10,144)	(6,344)	(3,770)	(5)	(2)	(23)

The figures in the table above do not agree directly to the carrying amounts in the statement of financial position as they incorporate all cash flows, on an undiscounted basis, related to both principal as well as those associated with future coupon and interest payments.

A maturity analysis of derivative and foreign exchange instruments based on notional amounts is set out in note 21.

d) Operational risk

GIBUK endeavours to minimise operational risk by ensuring that a strong control infrastructure is in place throughout the organisation.

GIBUK has established a comprehensive Operational Risk Policy. As part of this Policy, a risk assessment exercise is performed which identifies the operational risks inherent in GIB (UK)'s activities, processes and systems. The controls in place to mitigate these risks are also reviewed to ensure their effectiveness. In addition, a database of measurable operational losses is maintained, together with a record of key risk indicators, which can provide an early warning of possible operational risk events.

To embed GIB (UK)'s operational risk objectives, each part of the business is required to continually identify, assess and manage its exposure to operational risk using a variety of approaches including:

- Operational Risk Event reporting: Each part of the business is required to systematically track operational risk loss data and document operational risk events in accordance with the Operational Risk Policy. These are monitored by the Business Risk Committee.
- Monitoring Key Risk Indicators: Key risk indicators (KRI) are warning signals, which enable Management to monitor and mitigate operational risks that are reaching levels of concern. KRIs allows GIB (UK) to identify breaches of risk appetite and potential events that may harm continuity of business activities. Each business unit is required to monitor KRIs for operational risk in accordance with guidelines developed by the Business Risk Committee.

20 Risk management (continued)

d) Operational risk (continued)

- Risk and Controls Self-Assessment: A comprehensive RCSA programme is undertaken covering both front office and support functions as well as the 2nd line of defence.

Tested contingency arrangements are also in place to support operations in the event of a range of possible disaster scenarios. The internal audit function makes regular independent appraisals of the control environment in all identified risk areas.

e) Currency risk

In general, the Bank's policy is to match financial assets and liabilities in the same currency or to mitigate currency risk through the use of currency swaps. Any open positions are relatively small. Trading on the spot and foreign exchange markets is primarily client driven. Below summary shows assets, liabilities and equities in foreign currencies. There were no significant derivative trading or foreign currency net open positions as either 31st December 2022 or 31st December 2021.

Balance sheet by currency:
31st December 2022

			$ MNs				
	USD	**SAR**	**EUR**	**GBP**	**JPY**	**OTH**	**Total**
Total Assets	3,826	7	701	5,026	656	44	**10,260**
Total Liabilities and Equity	3,883	7	694	5,017	656	3	**10,260**

Balance sheet by currency:
31st December 2021

			$ MNs				
	USD	**SAR**	**EUR**	**GBP**	**JPY**	**OTH**	**Total**
Total Assets	2,606	87	857	6,022	771	233	**10,576**
Total Liabilities and Equity	2,653	86	851	6,013	771	202	**10,576**

20 Risk management (continued)

f) Hedge accounting

In order to mitigate this interest rate risk on its placement and fixed rate bonds, the Bank uses interest rate swaps. Changes in the fair values of derivative financial instruments that are designated, and qualify, as fair value hedges and that prove to be highly effective in relation to the hedged risk, are included in trading income together with the corresponding change in the fair value of the hedged asset or liability that is attributable to the risk that is being hedged.The hedging item is executed at the same time that the client-related transaction, the hedged item, is booked.The interest component of derivatives that are designated and qualify as fair value hedges is included in interest income or interest expense relating to the hedged item over the life of the derivative instrument.

Generally, the hedging item executed exactly matches the critical terms of the hedged item, that being the nominal value, currency, trade date and maturity date and hence the hedge ratio is expected to remain close to 100% /1:1. The hedging relationship is generally highly effective because the critical terms of the instruments match at inception and will remain effective throughout the contractual term of the derivative until maturity. The critical terms are reviewed every reporting date to ensure that the match persists.

The hedging relationship is tested at each reporting date by comparing the fair value of the hedging instrument with that of the hedged instrument. If, as a result of the testing, there is a deviation to the hedge ratio then ineffectiveness is recognised in the income statement. The hedging relationship is subsequently either rebalanced or discontinued in accordance with the Bank's Board-approved policies and procedures.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR). Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis. IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Bank to amend hedge designations and hedge documentation. This includes redefining the hedged risk to reference an RFR, redefining the description of the hedging instrument and / or the hedged item to reference the RFR and amending the method for assessing hedge effectiveness. Updates to the hedging documentation must be made by the end of the reporting period in which a replacement takes place. For the retrospective assessment of hedge effectiveness, the Bank may elect on a hedge by hedge basis to reset the cumulative fair value change to zero. The Bank may designate an interest rate as a non-contractually specified, hedged risk component of changes in the fair value or cash flows of a hedged item, provided the interest rate risk component is separately identifiable, e.g., it is an established benchmark that is widely used in the market to price loans and derivatives. For new RFRs that are not yet an established benchmark, relief is provided from this requirement provided the Bank reasonably expects the RFR to become separately identifiable within 24 months

Further disclosure on the hedge accounting and its impact on the financial position and performance is set out in note 21

20 Risk management (continued)

g) Capital Management

Regulatory capital (un-audited)

The Bank's lead regulator, the Prudential Regulation Authority (PRA), sets and monitors capital requirements for the Group comprising of Bank and its subsidiaries as a whole.

In implementing current capital requirements, the PRA requires the Group to maintain a prescribed ratio of total capital to total risk-weighted assets. Banking operations are categorised, as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures.

The Group's regulatory capital comprises tier 1 capital which includes share capital and retained earnings. The retained earnings comprise of audited profits that have been notified to the PRA in 2021. The current year profits are also included in retained earnings which will be subsequently included in the profit figures to the PRA after the completion of the audit.

The Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business, and to make effective and efficient use of capital provided by the ultimate parent.

The Group has put in place processes to monitor and manage the Bank's capital adequacy. On 26th September 22 there was a significant exchange movement between Sterling and the US Dollar which resulted in a reduction in the large exposure limit. As a consequence, there was a counterparty large exposure breach which continued until 30th of September 2022. The PRA was notified of the breach.

The Group's regulatory capital position (un-audited) was as follows:

The Group's CET 1 capital position was as follows*:-

	As at 31 December	
	2022	**2021**
Tier 1 capital		
Share capital	250,000	250,000
Capital contribution	2,279	2,279
Retained earnings and other reserves	117,429	165,148
Pension Asset and other deductibles	(696)	(36,225)
Total tier 1 regulatory capital	**369,012**	**381,201**
Risk-weighted assets (unaudited)		
Credit risk	1,487,358	1,656,411
Market risk	2,332	166,380
Operational risk	76,868	96,890
Credit valuation adjustment	20,625	12,553
Total risk-weighted assets	**1,587,183**	**1,932,234**
Capital adequacy ratio (unaudited)	**23.2%**	**19.7%**

* Group's Tier 1 capital figure including the Bank's and its subsidiaries as per the regulatory return reported to the regulator.

20 Risk management (continued)

h) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation and is subject to review by senior management.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Bank to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of other banking requirements, the availability of management and other resources, and the fit of the activity with the Bank's longer-term strategic objectives. The Bank's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

i) Fair value hierarchy

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, 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 where 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 includes 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.

Trading Securities: the fair values of trading securities are based on quoted prices (Level 1) or valuation techniques (level 2 or 3). Investment Securities: the fair values of investment securities are based on sourced prices from independent pricing vendors using valuation techniques (Level 1 and 2). Derivative financial instruments are valued using level 2 techniques, the values are modelled using market observable inputs and the value compared against the counterparty's valuation. Financial assets and financial liabilities not measured as fair value that includes the following instruments: placements, loans and advances, cash and cash equivalents and deposits from customers and from banks are estimated at book value which is a reasonable approximation of their fair value.

20 Risk management (continued)

i) Fair value hierarchy (continued)

	As at 31 December 2022			
	US$ Thousands			
	Carrying amount	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Trading securities	73,490	71,960	-	1,530
Derivative financial assets	69,607	-	69,607	-
	143,097	71,960	**69,607**	**1,530**
Financial assets not measured at fair value				
Placements with Banks	3,661,166	-	3,661,166	-
Cash & cash equivalents	5,325,978	-	5,325,978	-
Debt securities at amortised cost	983,131	-	983,131	-
Other assets	146,169		146,169	
	10,116,444	-	**10,116,444**	-
Financial liabilities measured at fair value				
Derivative financial liabilities	**43,543**	**-**	**43,543**	-
Financial liabilities not measured at fair value				
Deposits from banks	370,965	-	370,965	-
Deposits from customers	9,323,428	-	9,323,428	-
Other liabilities including Lease liabilities	146,465	-	146,465	-
	9,840,858	**-**	**9,840,858**	**-**

	As at 31 December 2021			
	US$ Thousands			
	Carrying amount	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Investment in Group entities	-		-	
Trading securities	56,471	27,109	27,349	2,013
Derivative financial assets	22,397	-	22,397	-
	78,868	27,109	49,746	2,013
Financial assets not measured at fair value				
Placements with Banks	3,805,701	-	3,805,701	-
Cash & cash equivalents	5,599,337	-	5,599,337	-
Debt securities at amortised cost	1,001,816	-	1,001,816	-
Other assets	91,000		91,000	
	10,497,854	**-**	**10,497,854**	**-**
Financial liabilities measured at fair value				
Derivative financial liabilities	54,878		54,878	
Financial liabilities not measured at fair value				
Deposits from banks	35,438	-	35,438	-
Deposits from customers	10,022,108	-	10,022,108	-
Other liabilities including Lease liabilities	57,000	-	57,000	-
	10,114,545	**-**	**10,114,545**	**-**

During the year ended 31st December 2022, the value of investment securities whose measurement was determined by other valuation techniques (level 3 measurement) decreased by US0.48 million. The decrease principally comprised of the redemptions and also changes in assigned valuations.

The basis of the valuation for level 3 trading securities is the net asset value released by the fund. However the underlying are the trade finance self-maturing facilities. Therefore it has been categorised as level 3. The fair value of the loans including any impaired loans are estimated at the recoverable amount, measured as the present value of the future cash flows discounted based on the fund's discount rate used within the fair value model. This model also considers all potential recovery outcomes, and weight the likelihood of occurrence of each outcome.

20 Risk management (continued)

i) Fair value hierarchy (continued)

The fair valuation of the loans has a direct impact on the net asset value of the fund. All of the assumptions applied are in line with management's judgment based on expected outcome of recovery.

No transfers out of the level 3 measurement classification occurred during the years ended 31st December 2022 and 31st December 2021. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the years ended 31st December 2022 and 31st December 2021.

21 Derivatives and foreign exchange instruments

The Bank utilises derivative and foreign exchange instruments to meet the needs of its customers, to generate trading revenues and as part of its asset and liability management ("ALM") activity to hedge its own exposure to market risk.

The tables set out below provide further information about the derivative instruments entered into by the Bank at the reporting date:-

- their contract or underlying principal amounts and year end fair values
- their replacement cost, netting fair values as appropriate
- their residual maturity analysis

	As at 31 December 2022			As at 31 December 2021		
	Contract or underlying principal amount US$ Mn	Fair value positive US$ Mn	Fair value negative US$ Mn	Contract or underlying principal amount US$ Mn	Fair value positive US$ Mn	Fair value negative US$ Mn
Exchange rate contracts	3,864	42	(38)	6,105	22	(41)
TRS	**37**		(2)	48		(3)
Interest rate contracts	4,957	27	(3)	455	-	(7)
Futures	25	-	-	54		(4)
Total	**8,883**	**69**	**(44)**	**6,662**	**22**	**(55)**

21 Derivatives and foreign exchange instruments (continued)

Residual maturity analysis of contracts with a positive fair value:-

	31.12.2022		31.12.2021	
	Contract or underlying principal amount	Replacement cost	Contract or underlying principal amount	Replacement cost
	US$ Mn	US$ Mn	US$ Mn	US$ Mn
Less than 1 year	8,155	26	5,804	14
2 and 3 years	259	4	765	8
4 and 5 years	469	-	45	-
Total	**8,883**	**30**	**6,614**	**22**

Fair value hedge

In the table below, the Bank sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year

As at 31 December 2022		Carrying amount US$ mn	Accumulated fair value adjustment US$ mn
Assets			
Investment securities	A	200	11
Bank placements	B	1,948	(17)
Liabilities			
Customer deposits	C	2,809	(1)
		4,957	(7)

As at 31 December 2021		Carrying amount US$ mn	Accumulated fair value adjustment US$ mn
Assets			
Investment securities	A	115	(6)
Bank placements	B	340	(1)
Liabilities			
Customer deposits	C	-	-
		455	(7)

The corresponding statement of financial position line items, where the hedged item and the cumulative fair value changes are recorded, include:

A- Debt securities at amortised cost
B- Placements with banks
C- Deposits from customers

21 Derivatives and foreign exchange instruments (continued)

The following table provides information about the hedging instruments included in the derivative financial instruments line items of the Bank's statement of financial position:

As at 31 December 2022	**Notional Amount**	**Assets**	**Liabilities**
	US$ mn	**US$ mn**	**US$ mn**
Interest rate contracts	4,957	-	(7)
Total	**4,957**	**-**	**(7)**

As at 31 December 2021	**Notional Amount**	**Assets**	**Liabilities**
	US$ mn	**US$ mn**	**US$ mn**
Interest rate contracts	455	-	(7)
Total	**455**	**-**	**(7)**

The fair value of hedging instruments used as the basis for recognising gains and losses in the income statement relating to fair value hedging relationships were as follows:

31 December 2022		**Gain / (losses) attributable to hedged risk**		**Hedge ineffectiveness**
		Hedged item	**Hedging instrument**	
		US$ mn	**US$ mn**	**US$ mn**
Hedged items	**Hedging instruments**			
Investment securities	Interest rate contracts	(17.00)	17.0	-
Bank placements	Interest rate contracts	16.00	(16.0)	-
Customer deposits	Interest rate contracts	1.0	(1.0)	-
		0.0	**0.0**	**0.0**

31 December 2021		**Gain / (losses) attributable to hedged risk**		**Hedge ineffectiveness**
		Hedged item	**Hedging instrument**	
		US$ mn	**US$ mn**	**US$ mn**
Hedged items	**Hedging instruments**			
Investment securities	Interest rate contracts	(1.2)	1.2	-
Bank placements	Interest rate contracts	(5.5)	5.5	-
Customer deposits	Interest rate contracts	0.0	0.0	-
		(6.7)	**6.7**	0.0

Gulf International Bank (UK) Limited (Company number 1223938)

21 Derivatives and foreign exchange instruments (continued)

The maturity profile of the Bank's hedging instruments is, as follows:

	As at 31 December 2022				
Notional amounts	Year 1 US$ mn	Year 2 & 3 US$ mn	Years 4 &5 US$ mn	Over 5 years US$ mn	Total US$ mn
Fixed rate asset products	1,548	133	469	0	2,150
Fixed rate liability products	2,807	0	0	0	2,807
	4,355	**133**	**469**	**0**	**4,957**

	As at 31 December 2021				
Notional amounts	Year 1 US$ mn	Year 2 & 3 US$ mn	Years 4 &5 US$ mn	Over 5 years US$ mn	Total US$ mn
Fixed rate asset products	12	398	45	0	455
Fixed rate liability products	0	0	0	0	0
	12	**398**	**45**	**0**	**455**

–IBOR reform

Following the decision by global regulators to phase out IBORs and replace them with alternative reference rates, the Bank has established a project to manage the transition for any of its contracts that could be affected. The project is sponsored by the Bank's CFO and is being led by senior representatives from functions across the Bank including the client facing teams, Legal, Finance, Operations and Technology. The project provides monthly progress updates to the Executive Committee (EXCO) and quarterly to the Audit Committee.

The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relationships that will be affected by IBOR reform, analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Bank manages through hedging relationships.

	31.12.2022		31.12.2021	
In $ million	**Notional amount US$ mn**	**Average maturity**	**Notional amount US$ mn**	**Average maturity**
Interest rate contracts				
Libor USD (3 months)	82.5	2	114	2.33

22. Maturities of assets and liabilities

The asset and liability maturities are based on contractual repayment arrangements and as such do not take account of the effective maturities of deposits as indicated by the Bank's deposit retention records. Formal liquidity controls are nevertheless based on contractual asset and liability maturities.

	As at 31 December 2022					
	Within 3 months	4 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years and other	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalent	5,326	-	-	-	-	**5,326**
Placements with banks	2,291	1,370	-	-	-	**3,661**
Debt securities at amortised cost	91	478	270	144	-	**983**
FVTPL-Trading securities	73	-	-	-	-	**73**
Derivatives	70	-	-	-	-	**70**
Property, equipment ROA and other assets	61	-	-	-	86	**147**
Total assets	7,912	1,848	270	144	86	**10,260**
Deposits from banks	366	5	-	-	-	**371**
Deposits from customers	6,342	2,981	-	-	-	**9,323**
Derivatives	44	-	-	-		**44**
Other liabilities including Lease liabilities & Tax	67	4	5	-	27	**103**
Shareholder funds	-	-	-	-	419	**419**
Total liabilities & shareholder equity	6,819	2,990	5	-	446	**10,260**

	As at 31 December 2021					
	Within 3 months	4 months to 1 year	2 and 3 years	4 and 5 years	Over 5 years and other	Total
	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn	US$ mn
Cash and cash equivalent	5,599	-	-	-	-	**5,599**
Placements with banks	1,722	1,744	340	-	-	**3,806**
Debt securities at amortised cost	2	540	412	48	-	**1,002**
FVTPL-Trading securities	56	-	-	-	-	**56**
Derivatives	22	-	-	-	-	**22**
Property, equipment and other assets	12	-	-	-	78	**90**
Total assets	**7,413**	**2,284**	**752**	**48**	**78**	**10,576**
Deposits from banks	33	2	-	-	-	**35**
Deposits from customers	6,259	3,763	-	-	-	**10,022**
Derivatives	55	-	-	-	-	**55**
Other liabilities	19	5	7	2	24	**57**
Shareholder funds	-	-	-	-	407	**407**
Total liabilities & shareholder equity	6,366	3,770	7	2	431	**10,576**

The asset and liability maturities are based on contractual repayment arrangements and as such do not take account of the effective maturities of deposits as indicated by the Bank's deposit retention records. Formal liquidity controls are nevertheless based on contractual asset and liability maturities.

23. Contingent liabilities

There is no outstanding contingent liabilities as at the year-end 31 December 2022 (2021: Nil)

24. Related party transactions

Directors' emoluments	**31.12.2022**	**31.12.2021**
	US$ Thousands	**US$ Thousands**
Aggregate emoluments	2211	2,571
Highest paid director		
Aggregate emoluments	1,231	1,288

Key management personnel compensation	**31.12.2022**	**31.12.2021**
	US$ Thousands	**US$ Thousands**
Salaries and other short-term benefits	6491	6,617
	6,491	6,617

Pension fund

The Group provides some administrative services to the defined benefit pension plan (see note 9).

The Bank implemented a new deferred compensation scheme during 2021 which is available to certain key management personnel and could make awards in three to five year's if certain key performance criteria are met. These awards are not guaranteed although a provision has been made for them in the 2022 financials.

A listing of the members of the Board of Directors is shown on page 3 of the annual report

Pension fund

The Bank provides some administrative services to the defined benefit pension plan (see note 9).

Group undertakings

The Bank's immediate parent and the sole-shareholder is GIB BSC (the "Parent"), a company incorporated in Bahrain and it is ultimately owned by the Public Investment Fund (the "ultimate parent" or "PIF") a sovereign wealth fund owned by the Saudi Arabia Government. The Bank also has balances with the subsidiary companies listed in note 27. The management believes all transactions are carried out on arm's length basis.

The table below provides the balances that the Bank has with its parent and subsidiaries and the transactions included in the statement of comprehensive income:

24 Related party transactions (continued)

	31.12.2022	31.12.2022	31.12.2021	31.12.2021
	US$ Thousands Immediate Parent	US$ Thousands Subsidiaries	US$ Thousands Immediate Parent	US$ Thousands Subsidiaries
Statement of financial position				
Placements with banks	200,000		200,000	
Deposits from customers	-		-	
Other assets	2,982		70	
Deposits from banks	(250,000)		-	
Other liabilities	4,397		4,325	
Statement of comprehensive income				
Interest income	3,843		5,163	
Interest expense	(5,989)		(191)	
Intercompany recharges (net)	(2,317)		(2,774)	

The Bank is recharged by its Parent company and its subsidiary for support services provided. These amounts are agreed annually in advance on a fixed charge.

25. Fiduciary activities

The Bank conducts investment management and other fiduciary activities on behalf of clients. Assets held in trust or in a fiduciary capacity are not assets of the Bank and accordingly have not been included in the financial statements. The aggregate amount of the funds concerned at 31 December 2022 was $9.4bn (2021: $11.2bn)

26. Other operating Income / (loss)

	31.12.2022	31.12.2021
	US$ Thousands	US$ Thousands
Foreign exchange gain/(loss) on lease	4,374	0
Provision on overseas tax (Note 8)	209	(96)
Gain on sale of investment securities	16	587
Other	202	0
	4,801	491

* The provision is in relation to the with-holding tax claim from ZATCA (tax authority). Management has decided to recognise a provision considering the uncertainty associated with the recoverability of this asset given on-going claim.

27. Investment in Group entities

The Bank is a wholly owned subsidiary of Gulf International Bank BSC (the parent Company).

Gulf International Bank BSC is a Bahraini Shareholding Company incorporated in the Kingdom of Bahrain by Amiri Decree Law No. 30 dated 24 November 1975 and is registered as a conventional wholesale bank with the Central Bank of Bahrain. The registered office of the immediate parent company is located at Al-Dowali Building, 3 Palace Avenue, Manama, Kingdom of Bahrain. The financial statements of the immediate parent company can be obtained from the aforementioned address.

The standalone financial statements of the Bank do not include the financial statements of the subsidiaries listed in the table below.

27 Investment in Group entities (continued)

Group entities

Subsidiaries

			Ownership interest %	
Name	**Location**	**Principal Activity**	**2022**	**2021**
SIB Portfolio Advisors Inc.**	USA	Investment Advisor	100	100

** registered address: 330 Madison Avenue, New York, NY 10017, United States of America

28. Segmental information

The Bank does not present segmental analysis in accordance with IFRS 8, as neither its debt nor equity securities are publicly traded, and nor is it in the process of issuing equity or debt securities in the public securities markets.

29. Investment in investment companies

The Bank's investment in investment companies (included in trading securities) are classified as fair value through Profit & Loss and their respective locations are:-

	2022	2021
	Fair value US$ Thousands	**Fair value US$ Thousands**
- GIB AM ESG		27,109
- GIB AM Sustainable World Fund	20,697	27,349
- Global Trade Finance Opportunities Fund Limited	1,642	2,013
- GIB AM Emerging Markets Active Fund	24,953	-
- GIB AM Sustainable World Corporate Bond Fund	26,310	-
Total investment in investment companies	**73,602**	**56,471**

These investments are controlled by GIB UK and included in trading securities in the statement of financial position.

The GIB AIM Sustainable World Fund is based in Ireland. It is an Undertaking for the Collective Investment in Transferable Securities (UCITS).

The Global Trade Finance Opportunities Fund is based in Ireland It is managed by a board of three non-executive directors, two of whom are an independent Ireland residents and one of whom is an employee and director of GIBUK and UK resident. As at the reporting date, the net assets of the fund were $3.6mn (2021: $4.7mn).

29 Investment in investment companies (continued)

The Bank's holdings are as follows:-

	Launch date	2022	2021
- GIB AM Sustainable World Fund **	September 2021	51.3%	51.3%
- Global Trade Finance Opportunities Fund Limited *	July 2017	40.70%	40.70%
- GIB Emerging Markets Active Fund **	August 2022	49.9%	N/A
- GIB Sustainable World Corporate Bond Fund **	September 2022	100.0%	N/A

*registered address: 2nd Floor 2 Custom house plaza, harbourmaster place, IFSC Dublin. D01 V9V4 Ireland
**registered address: One George's Quay Plaza, George's Quay, Dublin, Ireland

30. Subsequent events

The Bank does not have any material exposures to Russia or Ukraine and whilst it has put in place heightened monitoring it has not seen any materially detrimental issues to the financial standing of the Bank from the current conflict.

At the time of writing, the recent Silicon Valley Bank (“SVB”) and Credit Suisse collapses have impacted financial markets. GIBUK is not impacted as it has no direct lending exposure to SVB and clients have very limited exposure as part of their equities portfolios. GIB UK has an $85m balance on bank placements with Credit Suisse, due to the takeover by UBS and the support of the Swiss Central Bank we do not believe there is a material increased risk of default. Our Governance functions are monitoring the events closely.