

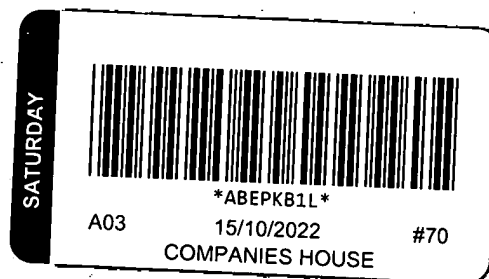
Gulf International Bank (UK) Limited (Company number 1223938)



Gulf International Bank (UK) Limited

Annual Report and Financial Statements

31 December 2021



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

GENERAL INFORMATION	3
STRATEGIC REPORT	4
DIRECTORS' REPORT	37
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GULF INTERNATIONAL BANK (UK) LTD	39
STATEMENT OF FINANCIAL POSITION	48
INCOME STATEMENT	49
STATEMENT OF COMPREHENSIVE INCOME	50
STATEMENT OF CHANGES IN EQUITY	51
STATEMENT OF CASH FLOW	52
NOTES TO THE FINANCIAL STATEMENTS	53
1. General Information	53
2. Summary of significant accounting policies	55
3. Cash and cash equivalents	67
4. Placements with banks	67
5. Trading securities	69
6. Financial investments other than those measured at FVTPL	70
7. Property, plant and equipment	72
8. Other assets	73
9. Employee benefits	74
10. Deposits from banks	78
11. Deposits from customers	78
12. Other liabilities	79
13. Share capital and reserves	79
14. Net interest income	80
15. Net fee and commission income	80
16. Net trading income	81
17. Operating expenses and Auditors' remuneration	81
18. Staff costs	81
19. Income tax expense	82
20. Risk management	84
21. Derivatives and foreign exchange instruments	100
22. Maturities of assets and liabilities	105
23. Contingent liabilities	105
24. Related party transactions	106
25. Fiduciary activities	107
26. Other operating Income	107
27. Investment in Group entities	107
28. Segmental information	108
29. Investment in investment companies	108
30. Subsequent events	109

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

GENERAL INFORMATION

Directors

The directors at the date of this report are:

Abdulaziz Al-Helaissi (Chairman)

John Xefos

Turki AlMalik

Katherine Garrett-Cox

Osamah Shaker (Resigned 23 June 2021)

Gary Withers

Dr Abdullah AL-Abdul Qader

Ralph Campbell

Miriam Greenwood

Jamal Ali AL Kishi (Appointed 23 June 2021)

Auditors

Ernst & Young LLP

25 Churchill Place,

London,

E14 5EY

Registered Office

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

United Kingdom

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

STRATEGIC REPORT

1.1 About this Report

This report forms the 2021 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 subsidiary, SIB Portfolio Advisers and New York based Branch, form a standalone business from its parent, is governed by its own Board of Directors and with its own capital base, and is regulated as such by both the PRA and the FCA.

The reporting period is 1 January 2021 to 31 December 2021.

The previous Annual Report was published for the year 2020, and Sustainability Reports have also been published covering 2019 & 2020 and a GIB group level report in 2021. This Report is intended to replace these two separate documents.

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 is 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.

DocuSigned by:



7E689E5C6803409...

Ralph Campbell, Director and Chief Financial Officer

14 April 2022

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

2. CEO Report

I am delighted to introduce this Annual Report.

This report takes us a step closer to fully integrated reporting. We have produced a Sustainability Report since 2019, and the firm has now reached the stage of maturity where we can combine our thinking on business and sustainability issues in one place for our stakeholders.

This combined publication showcases the progress we have made towards our vision of scaling and mobilising capital in support of sustainable development, and of being the preferred treasury services provider for Gulf Cooperation Council ("GCC")-based entities transacting internationally, and vice versa.

We have made good progress against our long-term strategy: 2018-2019 were the years of design, when we agreed the shape, strategy and infrastructure of the business; 2020 and 2021 were the years of implementation, and we have successfully delivered on most of our targets. 2022 and beyond will be the years we scale the business, when we convert our vision to outcomes.

In 2021, however, the firm reported a loss. Creating a profitable asset management business is a long journey, and was always planned to take at least three years. The loss posted in 2021 was as a result of the investments we made in building our asset management capabilities. Despite the major challenges caused by the ongoing Covid pandemic, both the revenue and cost lines were, as planned, and the final reported operating loss was foreseen and within plan.

Our Treasury team did an outstanding job to achieve their performance targets given the prevailing adverse market conditions.

Our portfolio and fund investment performance was generally strong, both in existing and newly built capabilities, demonstrating the high quality of our investment talent. However, we experienced challenges in recovering our legacy trade finance assets which we closed in 2020.

Throughout 2021, we have succeeded in embedding sustainability into our business. We have set ambitious targets as part of the Net Zero Asset Managers Initiative. We were proud to be a Summit Partner for the World Climate Summit, part of the COP26 in Glasgow.

We have also successfully launched a range of sustainability-centred products for our clients. In 2021, we launched the GIB AIM Sustainable World Fund with the Amundi UCITS Fund Partners ICAV, an Irish domiciled UCITS collective investment scheme. In Q4 2021, we embarked on launching a sister fund on the UCITS platform, the GIB AM Emerging Markets Active Engagement Fund, which is expected to be completed in the first half of 2022 with European Equity and Fixed Income product to follow.

We were instrumental in the launch of the GIB Group's sustainability-linked loan, and we have been highly commended by external entities for our thought leadership publications and activities. We have embedded climate change risk and opportunities in our strategy, governance and risk management frameworks.

Client acquisition is the driving force for achieving business growth. Advances were made in 2021 with a significant increase in our client prospecting. This we believe is a key milestone towards achieving our new client targets. However, we need to prove that the investment products we are building are both relevant and attractive to the market place. Asset Management is a crowded market with a large range of providers. To be successful we need to show our approach is both differentiated and authentic. The Investment teams which we have recruited, all have a lineage of both outperforming their respective asset classes' benchmarks

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

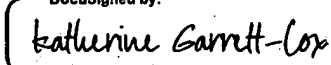
and also raising assets. If they continue to produce the track record as they have done historically, combined with the strong performance numbers in 2021, we believe this provides substance to our growth aspiration.

These achievements were all the more noteworthy given the external environment we faced. These challenges included the ongoing unprecedented macro-economic environment which provided a major headwind to our Treasury and Banking business, and the challenge of growing our headcount and product set in a largely remote-working environment.

We enter 2022 with heightened Geopolitical tensions and increased volatility in the markets however we remain confident that our strategy is the right one, and we continue to demonstrate our ability to execute it.

Welcome to our Annual Report 2021.

DocuSigned by:


2AA7A3B5E5F24AA...
Katherine Garrett Cox

CEO, GIB (UK)

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

2.1 Purpose and strategy

GIB (UK) Purpose:

To deliver shareholder value by providing a set of treasury and related services, delivered with the utmost reliability, confidentiality and tailored to the needs of our clients

To deliver shareholder value by being a specialist asset management provider, focused on delivering enhanced long-term returns for our clients

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 (T&B) clients, offering a uniquely personalised, high-quality service

To enable our AM clients to benefit from the transition to a more sustainable world

Our strategy:

Our goal is to scale our business by:

1. Deepening our relationship with current T&B clients and adding new ones, enabling the T&B business to continue to perform strongly but with reduced concentration risk
2. Building superior track records across our investment capabilities, diversified across a range of sought-after products, enabling us to attract new clients
3. Enhancing our distribution capability by widening and deepening our reach

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.

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

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 equities and debt, 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.

2.4 Markets and clients

The primary market for GIB (UK) is the Gulf region (the 'GCC') and the wider MENA region. GIB (UK) aims to establish an enduring competitive edge in this market by offering responsible banking and investment management that is attuned to cultural sensitivities.

In this, we have a distinct commercial advantage given that our principal shareholder is the Public Investment Fund of Saudi Arabia ("PIF"), one of the world's leading sovereign investors. This association has already delivered material benefits in terms of client retention and acquisition, and we fully expect to continue to leverage this advantage in the medium and long term.

One of GIB (UK)'s strategic goals is to expand and diversify its client base. GIB (UK) wants to raise its profile in Europe as its secondary market, and this will remain a key priority for the business in 2022. To this end, we are establishing partnerships and distribution capabilities that will drive this expansion strategy.

2.5 External environment in which we operate

Megatrends

Our business is dependent upon, and influenced by, megatrends. GIB (UK) ensures that it remains alert to these developments and positions itself to maximise their net positive impact and to guard against risks arising from megatrends.

2.5.1 Political:

The shift in geopolitical influence from the West to emerging economies in the East.

Opportunities:

-GIB (UK) is well placed to benefit from this shift, given our position bridging the developing markets of the Gulf region and the financial centres of London and New York.

-With the arrival of the Emerging Market Equities team to GIB (UK) in Q1 2021, we can pursue opportunities in global emerging markets, covering multiple asset classes.

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

Risks:

If the Gulf states pivot away from the West and towards Asia, GIB (UK) may struggle to retain its relevance. The Russian invasion of Ukraine has brought this issue into sharp focus.

2.5.2 Acceleration in the Gulf region's shift away from hydrocarbon dependence.

The GCC's strong economic position derives from its hydrocarbon assets. These assets have political significance in the GCC given the region's high economic dependence on them, and government ownership of these assets. All GCC states have national strategies that mandate a pivot away from economic reliance on hydrocarbons.

Opportunities:

GIB (UK) is well-positioned to become a trusted partner to Gulf-based governments, companies and institutions as they pivot their models away from hydrocarbons and towards more renewable energy sources. GIB (UK) can play a material role to facilitate and navigate the transition, through its services and product offerings. Our new ESG advisory service is a good example of this opportunity.

Risks:

The GCC may fall behind in its decarbonisation strategy. This may leave the oil producing countries with large scale stranded assets as the developed world accelerates towards a net zero future.

2.5.3 Economic:

While the global economy bounced back from the depths of the COVID-19 pandemic, significant uncertainty remains about the post-pandemic path for growth. The risk of inflation has mounted in 2021 as a bi-product of government and central bank policy.

2.5.3.1 The pandemic's impact has been highly unequal across countries, with much of Europe (and the UK in particular) suffering particularly badly from the crisis. Looking forward, GIB (UK) will continue to track macroeconomic activity and developments as corporates seek to emerge stronger from the pandemic.

2.5.3.2 The Federal Reserve kept its target rate at 0.00-0.25% and continued to inflate its balance sheet in 2021 adding \$120bn/month to take total assets to \$8.5 trillion. This unprecedented monetary accommodation kept rates – especially in the sub 2-year space – low. LIBORs traded in a downward path (to historic lows) for much of the year even as inflation breached 5%. We had anticipated that the global economy would show modest pickup and that the extreme policy action introduced by central banks at the onset of Covid-19 would be slowly withdrawn. What resulted was a faster and more stable rebound in growth, but central banks maintained their proactive stance even in the face of steepening inflation, continually driving down yields and spreads.

2.5.3.3 In Q1, the BoE asked banks to prepare for negative rates as fears of renewed waves and new variants of the virus were thought to threaten any reopening of the economy. By Q4 the BoE were preparing markets for rate hikes as inflation prints beat their predictions and concerns were raised as to whether it was indeed transitory.

2.5.3.4 The recent invasion of Ukraine by Russia and the subsequent widespread sanctions could have a material effect on the economic outlook for 2022 and beyond. We have already seen commodity prices

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

rising significantly with oil in particular reaching levels not seen for over a decade. This could have a material impact on worldwide economies.

Opportunities:

As we begin 2022, Central banks have highlighted their concern that inflation will need to be managed and have indicated they plan to reduce the liquidity in the financial system and raise interest rates. As a liability-led business this should help our treasury business.

High oil prices benefit the GCC economies and can create significant balance of payment surpluses. High prices could also accelerate the need to migrate from hydro carbon based energy, which, in turn, could support our Asset Management business investments in sustainable companies.

Risks:

The adverse macroeconomic effects of the COVID-19 pandemic on the regional economies of the Gulf have reinforced the imperative for economic diversification in the GCC. As GIB (UK)'s primary market, we will continue to monitor and – where possible – participate in this trend.

Inflation and central bank tapering remain an unquantifiable risk moving forward.

No one at this stage can predict with any certainty the knock on effects of the sanctions against Russia; the Global economy could go into a recession, banks with large exposures to Russia could default, or there could be an East v West schism. All of these could materially impact GIB (UK).

2.5.4 Social:

The COVID-19 pandemic has also had the effect of accelerating a number of social trends which are of particular significance to GIB (UK).

2.5.4.1 The COVID-19 pandemic has highlighted the need for more inclusive growth as inequality remains an important theme for legislators and policymakers.

Opportunities:

Evidence from the World Bank suggests that the COVID-19 pandemic, lockdowns and school closures have given rise to sharp rises in inequality in education systems. In the post-pandemic world, rebuilding education systems to make them more resilient will be a priority for policymakers, and GIB (UK) and its clients want to help drive this recovery through its investments. This is another important investment theme for GIB (UK).

Risks

The COVID-19 pandemic has accelerated a rise in social inequality and has widened the attainment gap. Social demand for these issues to be addressed could result in political upheaval and further societal dislocation.

2.5.5. Technological:

In response to the COVID-19 pandemic, companies across the globe made rapid technological transformations, accelerating their journeys to a digital future.

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

Opportunities :

Hybrid working and use of technology to communicate both with the business and externally has become the norm. These changes should create efficiencies at work and connecting with clients. An associated benefit will be the reduced need to travel which will lower our carbon emission.

Digitisation is a key part of GIB (UK)'s strategy and should enable us to provide an improved service to our clients as well as create efficiencies & enhance controls across the Business

Risks

With more and more valuable data kept in digital formats, the risk of cybercrime has increased exponentially.

2.5.6 Environmental:

Looking beyond the COVID-19 pandemic, the triple planetary crisis of climate change, nature and biodiversity loss, pollution and waste will take centre stage in future years, and the monitoring of environmental trends will become increasingly important for corporates.

Environmental matters have risen up policymakers' agenda, as evidenced, for example, through the focus on COP 26. Regulatory focus on biodiversity has increased in 2021; notably, there may be equivalent biodiversity as climate-related risk disclosure guidance within three to five years.

Opportunities:

GIB (UK)'s successful profile raising and marketing activities mean it is positioned as a subject matter expert and should be able to leverage its profile to participate in the policy and economic debate at a high level.

Risks:

GIB's relatively small scale may preclude us from participating in the debate.

Its status as a Saudi and GCC-owned entity makes GIB's authority on this subject dependent on meaningful progress in the region.

2.5.7 Regulatory:

Since the 2008 financial crisis the cost of regulation for banks and asset managers has increased, and it is anticipated that this trend will continue.

Risks:

Increased regulatory complexity is particularly important for GIB (UK) because of the firm's compliance commitments to a range of regulators. This includes the UK regulatory authorities, the Central Bank of Bahrain (CBB), the SEC and the Central Bank of Ireland. As regulatory complexity increases, greater time and resources will need to be committed by GIB (UK) to meet these requirements

GIB (UK) will respond to Brexit-driven regulatory uncertainty by continuing to monitor the development of Brexit, its impact on regulation, and the extent to which the UK regulators diverge from their EU counterparts.

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

2.5.8 Industry and competitor trends

The financial sector seems to have performed well in aggregate over 2021, helped by highly accommodative central bank policies.

However, as central banks move towards a tighter monetary regime, financial institutions will have to anticipate and re-engineer strategies.

Opportunities:

GIB (UK)'s Treasury business managed to remain profitable and to meet targets in spite of the challenging macroeconomic conditions. For example, the PRA L-SREP in Q4 2020 asked us to show liquidity by currency without the use of FX markets, so we adopted new methods of raising USDs to satisfy the requirement. We showed we could raise substantial amounts of USD same day by re-hypothecating our collateral with the Fed.

Similarly, Treasury exploited arbitrage opportunities where possible, especially around quarter-ends, though again these pickups in yields reduced as the year progressed, another indicator of excess liquidity in the market.

Sustainable and responsible investment (SRI) has continued to grow. The Global Sustainable Investment Alliance reported that in the last two years there has been an increase of 15% in SRI, bringing the total global AuM for SRI to USD 35.3 trillion. This growth in popularity for SRI was also reflected in GIB (UK)'s analysis of the competitor landscape, which saw year-on-year growth in AuM for all of GIB (UK)'s selected competitors, with a notable acceleration in AuM gains observed in 2021. This is consistent with an increase in investor demand for SRI.

We are anticipating that USD liquidity will start to reduce by H2 2022, and we start to price in rate hikes and some mild steepening of yield curves in the later stages of 2022.

There is a clear opportunity for GIB Asset Management to participate in increasing sustainable asset flows, especially as these are at an earlier stage for GCC asset owners.

Risks:

The Asset Management landscape is increasingly homogenous in terms of Sustainable products. Differentiation will increasingly become a key factor in asset gathering. Competitor activity remains a key risk for both the Treasury and Asset Management business.

2.6 GIB Asset Management

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

2.6.1 2021 Achievements

We significantly expanded our product capabilities in 2021, adding Global Equity, Emerging Markets Equity, and European Equity, and made significant additions to both the Equities and the Fixed Income teams. The Equity & Fixed Income investment team's headcount has tripled in number since 2019 from 5 to 15.

The track record of the product suite has been strong in 2021, with performance across the majority of portfolios comfortably above the stated benchmarks.

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

Despite the continuing uncertainty and disruption caused by the Covid pandemic, our operations functioned normally throughout 2021, a testimony to the strength of our Operations and Back Office teams.

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 \$11.4 billion (Dec 20 \$12.6 bn).

Macroeconomics and Central bank actions will continue to be the chief driving force for markets in 2022, and the recent events of Russia invading Ukraine could very well continue to have a major impact in 2022 and potentially beyond. It is too early in the conflict to accurately predict what the ultimate impact will be, and this certainly remains a key risk.

2.6.3 Asset Management Products:

Historic Products:

Equities:

- **Equity Indexation:** Replicates performance of indices selected by clients. Ability to create tailored solutions based on specific objectives, risk parameters and ethical considerations.

Fixed Income:

- **Emerging Markets Credit:** Focus on EM hard currency sovereign, quasi-sovereign and corporate debt to capture different drivers of returns.
- **Fixed Income Indexation:** Replicates performance of indices selected by clients. Ability to create bespoke portfolios focused on specific return objectives, time horizons and ethical considerations.

New products:

GIB Global ESG Plus Equity

The GIB Global ESG Plus Equity capability was launched in February 2020. The approach aims to gain a broad, diversified exposure to global equity markets using the GIB ESG proprietary scoring model with a focus on selecting best-in-class securities among their industry peers. The strategy also aims to use superior ESG credentials and sustainable impact metrics relative to those of a standard index.

GIB AIM Sustainable World Fund

The GIB AIM Sustainable World Fund was launched in October 2021. This UCITS Fund will focus on global companies that the Investment Manager believes has the potential to create value while having a positive impact on global sustainability. This ESG assessment of stocks will include sustainability themes, including among others healthcare, education, nutrition, transport safety, clean energy, e-mobility, resource efficiency and water. The GIB AIM Sustainable World Fund is classified as a Sustainable Finance Disclosure Regulation (SFDR) Article 9, the highest standard in terms of sustainability.

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

Global Emerging Markets Strategy

In 2021, we hired a team to manage our Global Emerging Markets Active Engagement Strategy. The team bring a combined 60+ years of experience, and their strategy is underpinned by a proprietary two-pillar process that both identifies undervalued businesses through its fundamentally driven bottom-up approach, and partners with all portfolio companies to generate additional alpha from material ESG and operational improvements.

2.7 Treasury

Market conditions continued to be challenging in 2021. Our Treasury business suffered from the low interest rate environment and flat yield curves, which makes it challenging to generate profit on money market transactions.

Deposits have remained at \$10.0 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.

Client service remains our key differentiator. Client feedback has been universally strong. This is due to a combination of the Treasury team work ethic, 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.

2021 saw excellent returns delivered by our FX business, with the exotics trade being particularly strong.

2.8 Looking forward to 2022

Treasury faces a positive outlook for 2022, subject to on-going uncertainty over the Russia/Ukraine situation. If and when markets begin to return to normality with positive yield curves in place and central bank interventions tapering, Treasury is well-placed to thrive. 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 the growth business as we move forward, given the more limited scope for growth within the Treasury and Banking business.

Asset Management's strategies are now in place, underpinned by solid proprietary foundations that we have been building for the past two years. We will implement the product road map, with around 6 new products during 2022. Delivering strong investment performance in these products over the next three and five years will be critical. Now we have the investment teams largely in place, we will be taking steps in 2022 to extend our distribution capabilities. We have already begun connecting with clients to discuss 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.

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

3. Performance

3.1 Statement from the CFO

It is pleasing that our strategy to redesign and build out our Asset Management Business is beginning to show positive results with the recruitment of high-quality teams who have begun to build out strong investment performance track records, although this has not resulted in increased Assets Under Management from new clients, as yet. Assets Under Management fell in 2021 from \$12.6bn to \$11.4bn.

I would also highlight the positive contribution the Treasury and Banking businesses made during 2021. Market conditions remained highly challenging in 2021. Our liability driven balance sheet and relatively short duration assets generally means GIB (UK) usually has surplus liquidity. In 2021, the Central Banks continued their COVID pandemic reaction to supply liquidity into the financial system, which meant that yields remained at historic lows. However, FX transaction demand again held up well. Despite these market headwinds, our Treasury business produced very commendable results. Yield curve conditions look likely to remain challenging in 2022, although prospects are heavily dependent on the evolution of inflation in the global economy and how Central Banks' react to dampen. Furthermore, the recent events in Ukraine have increased market volatility and also the banking sectors Credit Default Swaps have increased which shows there is heightened risk especially for Banks exposed to Russia. The ALCO is paying close attention to the situation and will limit GIBUK's lending where appropriate.

The balance sheet from customers and banks remained flat during the year at \$10.6bn. Regulatory capital and liquidity measures remain strong. Of particular note is the Defined Benefit pension scheme surplus which grew to a healthy \$46.3m, an increase of \$29.8m, mainly as a result of asset appreciation. This created a net deferred tax liability of \$1.9m.

3.2 Financial performance

The overall loss after tax for the year reduced to \$6.9mn (2020: \$16.8mn loss). The Loss had been anticipated by the Board, as GIB (UK) invests in building out the Asset Management capabilities in the anticipation of attracting new clients and income, in the future.

	2021 US\$ mn	2020 US\$ mn	Change %
Net Interest Income	12.1	14.3	(15%)
Operating Income	18.6	5.3	251%
Operating Expenses	(43.1)	(38.8)	(11%)
Impairment ROU asset	(1.2)	-	
Loss before Tax	(13.6)	(19.2)	29%
Tax	6.6	2.4	
Loss after tax	(6.9)	(16.8)	59%
Shareholders equity	406.9	392.6	
Average number of employees	81	74	

The loss is mainly due to the increase in expenses as GIB (UK) invests in its Asset Management capabilities, reduction in treasury income as central bank intervention has created surplus liquidity and interest rates have

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

remained at historic lows, also the decline in the fair value of the GTOP seed investment partially offset by tax credits due to HMRC refunds and the recognition of previously unrecognised deferred tax assets on losses to offset against the deferred tax liability arising on the pensions surplus.

Key Financial Performance Indicators	Description	2021	2020
Total Deposits	Measure of GIB UK's deposits from customers and banks	\$10.1bn	\$10.0bn
Total AUM	Total Assets Under Management	\$11.4bn	\$12.6bn
Tier 1 Capital ratio	Measure of GIB UK's financial strength, expressed as a ratio of total capital to risk weighted assets	19.7%	26.5%

The directors do not recommend a payment of a dividend for 2021 (2020: Nil).

3.3 Non-financial performance

Key non-financial Performance Indicators*	Description	Reason
Number of clients	Total numbers	Number of clients is a key success metric, and links to our strategic goal of diversifying the client base
Number of products (Asset Management)	Number of distinct investment strategies / funds being offered; Tracked for both number launched and those under development	A key strategic goal is to diversify the products / services being offered
Insights published / downloads	Measure captures number of insight pieces published, and an indicator of readership	GIB UK produces insightful research and analysis, that we share with clients and other stakeholders. This KPI helps to track volume and impact of that content
Responsiveness to client requests	Time taken to respond to client requests	GIB UK prides itself on our client-focus and high responsiveness to client needs
Project completion rates	Delivery of high priority change projects on schedule, on budget, on scope.	GIB UK is transforming as a business. This measure intends to capture agility in driving change
Sustainability	Measured by Principles for Responsible Investment ("PRI") rating for asset management business (relevant modules)	The PRI rating provides an indicator of how well we are holding ourselves to high standards with respect to our investment approach
Employee engagement score	Survey-based measure capturing various aspects of engagement	Business success is only possible with engaged employees.

* 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.

In 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.

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

We decided to commit 100% of our actively managed assets to be in line with Net Zero targets. Although that was a small proportion of our total assets in 2021, we expect the percentage of our AUM managed in line with Net Zero to expand over time as we grow our actively managed business.

Indexation assets are considered out of scope for the current Net Zero target setting. This is because, as a small asset manager, we have no ability to affect the composition of the index and limited power to encourage all companies within it to move to Net Zero. However, within the Indexation business, we have committed to engage with all clients in 2022 in order to better understand their needs and develop opportunities for them in the move to Net Zero.

Fixed income and sovereign bonds have also been excluded from in-scope assets due to the complexity in determining emissions and aligning with Net Zero goals. We hope to include these in the near future as data improves for these asset classes.

Within our actively managed assets, our target is to have 80% of in scope assets to be 'Committed to aligning', 'Aligning with Net Zero', 'Aligned with Net Zero', or 'Achieving Net Zero', by 2025; 90% by 2030; and 100% by 2035, including >50% *fully aligned* by 2035. These concepts are defined by the Paris Aligned Investment Initiative methodology.

Our point-in-time scope 1 and 2 benchmark targets for in-scope portfolios are:

- Reduce emissions by ~30% by 2025
- Reduce emissions by ~55% by 2030
- Reduce emissions by ~92% by 2050

3.3.1 Greenhouse gas emissions information

To comply with the Streamlined Energy & Carbon reporting we disclose our carbon emissions.

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
Scope 2						
Electricity consumed in office and in data	Office: Kwh235,845.33	73.37	Office: Kwh 232,169.730 ^[2]	63.3	Office: kwh 109,534 ^[3]	34.1

^[1] This figure is re-stated based on improved GHG methodology. Only includes refrigerants as GIB (UK) does not have any company owned cars.

^[2] Electricity bills are provided by building management. The kwh amount was re-instated due to information being made available that 1 Curzon Street Office was in use at the end of 2020. No account was taken of home use.

^[3] Electricity bills are provided by building management. The kwh is considerably lower than 2020 figures due to the relocation to a more energy efficient office. No account was taken of home use.

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

recovery (DR) sites	DR site: Kwh 51,240		DR site: Kwh 10,637.07		DR site kwh: 12,494.84	
Scope 3						
Employee business travel ^[4]	Employee commute: 181,614.78 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 ^[6] : 1,341.1 KM Flights: 115,549.29 KM Hotel stays ^[7] : 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
Total		482.32		127.57		232.79
Intensity ratio: tCO ₂ e / FTE		5.82 ^[8]		1.64 ^[9]		2.71 ^[10]

3.3.1.1 Quantification and reporting methodology

2020 data were 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, the Guidance for the Financial Services industry was used. Scope 3 does not include financed emissions.

3.3.1.2 Intensity measurement

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.

Measures taken to improve energy efficiency in 2021 included:

^[4] Includes emissions from employee commute, taxis, flights and hotel stays

^[5] Average commute time provided by the Department of Transport is used to estimate travel kilometres, and employee method of travel was assumed to be in line with London

^[6] Taxi km were estimated using the GBP amount spent on taxis. Estimates used based on London black cab pricing.

^[7] Hotel night emission factor depends on hotel country location. Where country emission factors were not available, estimates were used

^[8] Based on 83 FTE in 2019

^[9] Based on 78 FTE in 2020

^[10] Based on 86 FTE in 2021

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

- A plan to reduce business travel (where possible). We aim to use video conference technology (such as Zoom and MS Team) instead of business travel where possible.
- Our new office in 1 Curzon Street is SKA Gold certified and highly energy efficient. We also now source our electricity from renewables.

Where it is not possible to reduce emissions, GIB (UK) uses carbon offsets to make our operations net carbon neutral. However, we understand that carbon offsetting is only an interim solution while carbon cannot yet be eliminated at source.

3.3.1.3 2020 reinstatements

The 2020 scope 1 and scope 2 emissions have been restated to account for the calculation of emissions from refrigerants and to account for additional information about the use of electricity in our 1 Curzon Office at the end of 2020.

Increase in 2021 emissions relative to 2020

GHG emissions increased by around 82% between 2020 and 2021. This is mainly due to the fact that business travel increased in Q3 and Q4 2021 as the travel restrictions associated with COVID-19 were relaxed. Even with the increase in emissions, GIB (UK) remains within its target of reducing emissions by 50% by 2030, using 2019 as a baseline and the interim target of reducing emissions by 10% in 2021, using 2019 as a baseline: GIB (UK)'s 2021 emissions were around 51% lower than in 2019.

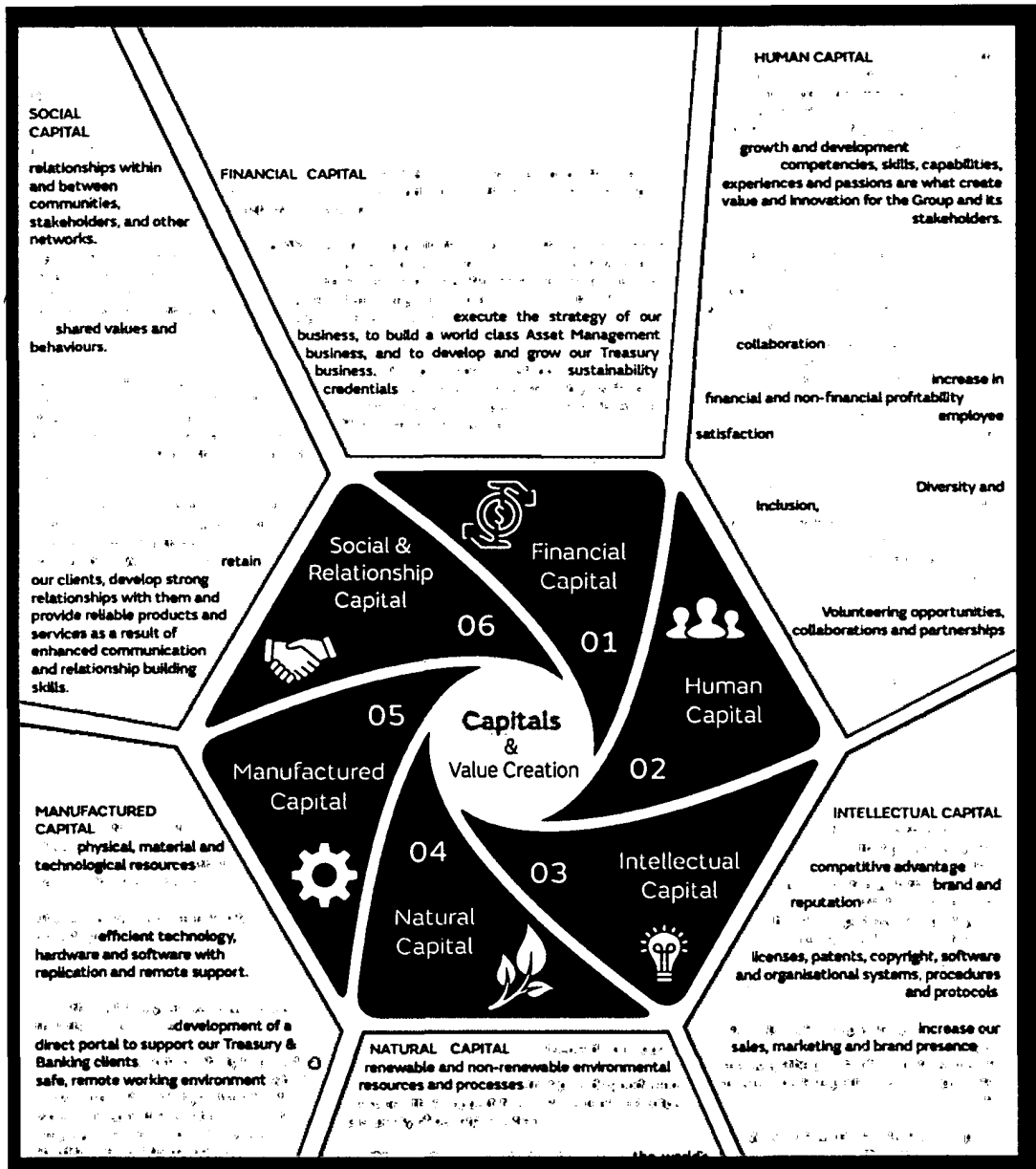
GIB(UK) remains committed to holding down its carbon emissions as much as possible and recognises that 2021 was also an unusually subdued year, given the limited business travel in the first half in particular.

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

3.4 Capitals and value creation for stakeholders

The Capital of an organisation is no longer defined merely by its balance sheet. Understanding the contribution of different capitals to the success of the organisation is critical. These include Human, Intellectual, Legal, Social and Relationship, Manufactured, as well as Financial Capital.

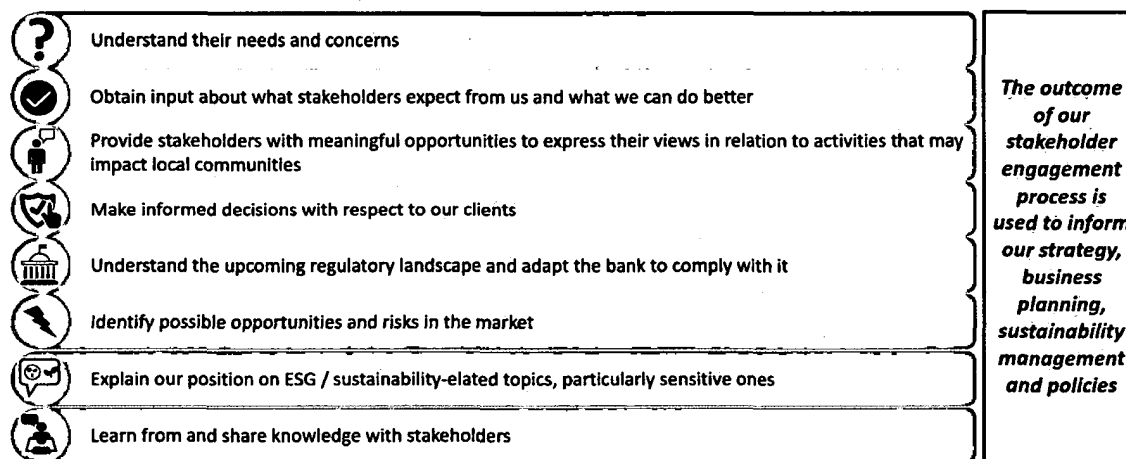
These capitals all contribute to the creation of value at GIB (UK) because they enable us to attain positive results in relation to our people, clients, community, eco-system and infrastructures, as well as our commercial targets.



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

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.



3.5.1 Employees

We believe that our employees are fundamental to the success of the organisation. It is only through the efforts and commitments of its people that GIB (UK) is able to fulfil its purpose. We aim to be a responsible and enlightened employer with regards to compensation, benefits and terms and conditions of employment. The health, safety and wellbeing of our people are primary considerations in the way the firm is run. Learning and development are prioritised.

Ensuring diversity & inclusion is a high priority for the firm. A team of varied talents, backgrounds, past experiences and skills enables us to broaden our perspective and viewpoints in the decision-making process, enhance collaboration and ultimately drive the performance of the business.

We incentivise our employees to consistently deliver to the best of their abilities with a responsible approach to compensation, benefits, and reward.

3.5.2 Clients

By delivering strong business performance, we manage and grow our clients' assets (financial capital creation).

Through growth of our client base, we are able to enhance our reputation, providing a platform for us to participate in the most important sustainability issues.

ESG objectives, set out in Clients' mandates, enable us to deliver the positive and actionable sustainable results that clients need, and ultimately, to drive a positive impact on the world.

3.5.3 Suppliers & Outsourcing

We recognise that suppliers are critical to our business. We have therefore built strong long-term relationships, through which we are able to utilise the expertise and innovative capabilities of our suppliers, to enhance our intellectual capital and our ability to deliver value for our clients. Our graduated approach,

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

focusing on material third party suppliers, has increased resiliency and reduced management and support services, thus enhancing our business profitability.

We strongly believe that a healthy environment is integral for the health, wellbeing and development of our society, business and economy. We ensure that this commitment is shared by our suppliers and third-party providers, only working with those that are compliant with our Supplier Code of Conduct and Modern Slavery Statement.

3.5.4 Shareholders

Our parent company provides us with the financial capital and ability to develop products that are aligned with clients' and our sustainable objectives.

Our shareholder also provides operational and human capital support to the Treasury & Banking business.

With the expansion of our product range, we are also able to retain and grow our client base, increasing our ability to attract talent that can support the business to achieve its goals.

3.5.5 Regulators

Regulators play an important role in safeguarding 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.

Consistent with regulators' focus on climate-related risks, we have undertaken a project to ensure that we can meet their expectations and embed the risk and opportunities into our strategy, governance and risk management frameworks.

The regulator helps us to achieve our goal of having a healthy and sustainable culture through its thought leadership and insights into cultural transformation.

3.5.6 Communities

Collaboration with industry partners, and development in line with market best practices such as the Principles for Responsible Investment and Banking, enables us to drive positive impact and deliver on our sustainable development goals for the communities in which we operate.

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.

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

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

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 s3.5.1, 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 Inclusions 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

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.

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

3.7 Future prospect

Our strategy to invest in our Asset Management business has depressed the short term results. However, we believe our strategy to develop a Sustainability-led active Asset Management business and continue to provide excellent service to our Treasury & Banking clients as well as optimising the use of all our Capitals will mean long term success for all GIB (UK)'s stakeholders. How the Global economy deals with the return to *normality* in a post Covid World and also the sanctions implemented against Russia due to their invasion of Ukraine will no doubt impact GIB (UK) in the short and possibly medium term. All else being equal, we anticipate that we will return to profitability by 2024 and that, within 5 years, we will be achieving industry standard returns.

DocuSigned by:

Ralph Campbell

7E689E5C6803409...

Ralph Campbell

Director and Chief Financial Officer

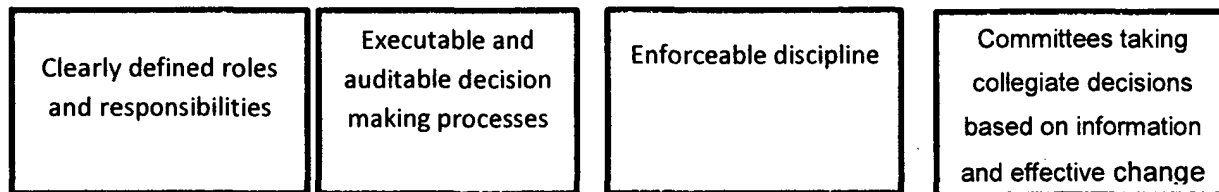
14 April 2022

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

4. Governance

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

Our governance framework is underpinned by:

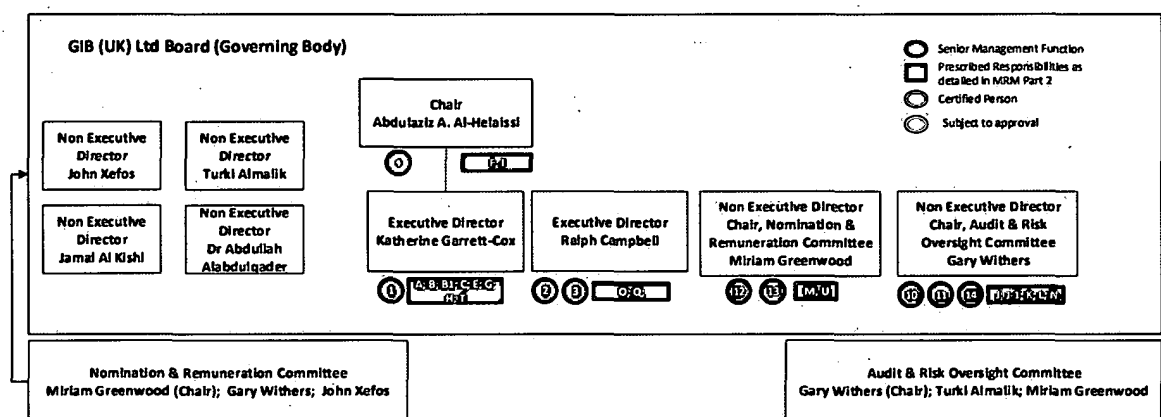


Our principles



4.1 Board composition and members

The Board constitutes mainly non-executive directors. This ensures its independence of management, and hence to ensure independent judgment on issues brought before it by the executive management.



4.2 Board 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.

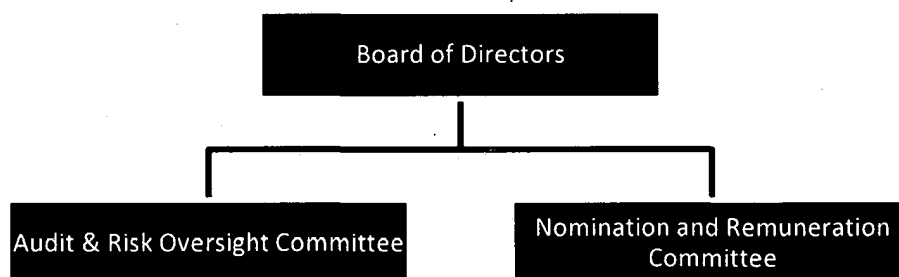
Further, we believe in the important benefits that gender diversity brings to the Board. This year, we supplemented our Board by adding a female non-executive director.

For more information on our Board Diversity, please view our Board Diversity Policy Statement.

4.3 Board composition

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

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

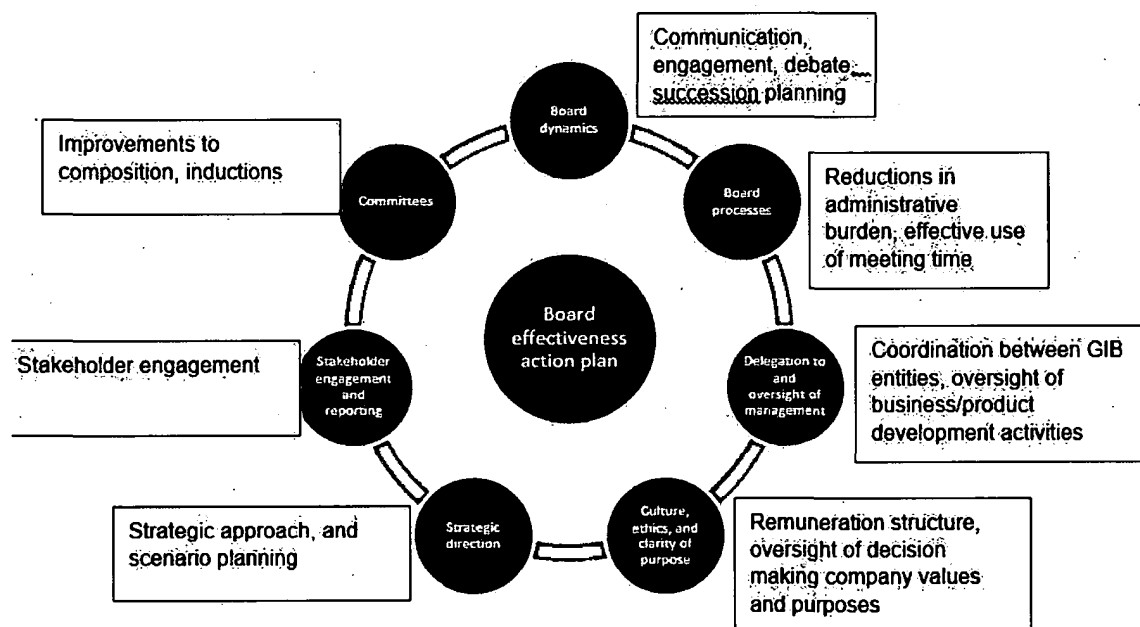


The Board has delegated the authority for all day-to-day management to the CEO. The CEO has established an Executive Committee and the following Management Committees report into it:



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. Our 2021 Board Effectiveness Action Plan consists of 7 themes detailed below:



4.5 Systems, policies and processes

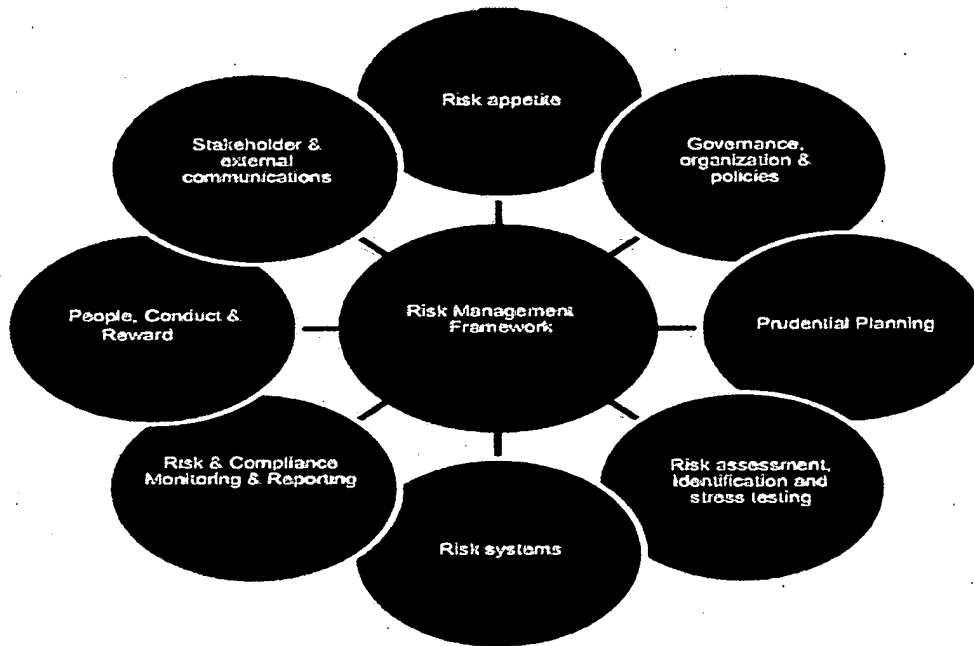
A comprehensive approach is taken to ensure that policies and processes are implemented and maintained.

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

The Risk and Compliance Department 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. All policies are reviewed at least every 18 months as a minimum to confirm that no changes are required.

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 and assessments, such as the Investment Risk Framework and Key and Emerging Risks registers.

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

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

4.8 Remuneration policy

We have a comprehensive performance management approach. Our remuneration policy is designed to attract, retain and motivate quality staff while at the same time encourage sustainability considerations. Further, we reward our executives and employees in a way that encourages them to act in the best interests of our clients.

We 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: executives and employees variable pay is linked to individual, departmental and firm wide KPIs and these include sustainability, and ED&I in particular, elements.

4.9 Focus areas and Principal decisions (\$172)

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 2021 all related to the creation of investment products.

Issue/Principal Decision	Stakeholder	Stakeholder considerations and outcome
Approval of Sustainable World strategy and UCITS Fund Approval of Emerging Markets Active Engagement (EMAE) strategies <i>As part of the 2021 Business plan, a decision was taken to expand both global and emerging market equities, capabilities that would broaden our product range, diversify clients, and add to our sustainable investment & ESG product offering.</i>	Clients	The Sustainable World and EMAE strategies 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.
	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.
	Shareholder	The shareholder (via representatives of the GIB BSC Board) fully supported the expansion of our capabilities, which aligns

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

	Regulators	<p>with GIB's strategy to increase shareholder value.</p> <p>The GIB AIM Sustainable World Fund is a sub-fund 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. As the first UCITS fund managed by GIB UK, this has therefore required considerable engagement on regulatory issues in order to ensure compliance.</p>
--	------------	--

4.10 Culture and values

GIB(UK) focuses on being perceptive, acting with integrity, agility, and collaborating. We believe in an environment that encourages and empowers everyone to make a difference and we value the ideas and inputs of everyone at GIB(UK). We strive to create a family atmosphere in the workplace of mutual support and respect.

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 encourage a 'speak up' culture which promotes inclusivity and psychological safety for everyone.

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

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.

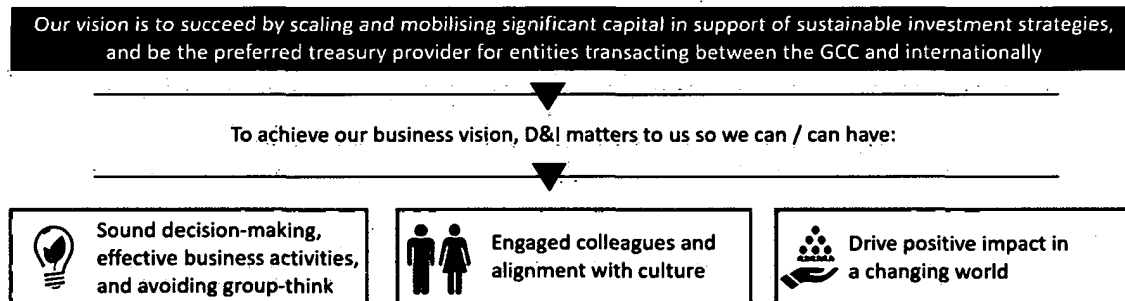
GIB(UK) aims to build a strong business culture of sustainability and enable all employees to implement the concept into their day-to-day work processes and strategies. We also place the utmost importance on transparency and disclosure as it enables our stakeholders to understand our commitments, plans,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

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

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 DEI strategy is based on 6 pillars:

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

Our achievements in 2021 include:

Engage:

- We established the link between DEI to business case
- We engaged with employees through D&I Forum
- We ran an external and internal speaker series covering topics such as Socio-economic mobility, race, disability, menopause
- There were regular internal communications about DEI at the GIB (UK) wide meeting

Equip:

- We joined Inclusive Employers, and offered their webinars and guidance to employees
- We reviewed recruitment process to ensure DEI considerations
- We considered DEI training needs

Empower:

- We revised GIB (UK) behaviours in line with culture/ DEI strategy
- We designed and implement a consultation approach for DEI matters

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

- We ensured the contribution of staff who are involved in DEI initiatives was recognised

Embed

- We embedded DEI governance at Board level
- We offered 6 inclusive internships

Evaluate

- We completed a comprehensive staff culture survey
- We assessed diversity data collection methods, collected baseline diversity data and completed our first DEI diagnostic
- We were nominated for a DEI award

Evolve

- We amended the D&I Forum meetings in line with members' wishes

The four areas of focus for us in 2022 are gender, ethnicity, disability and socio economic background.

4.11.2 Gender balance:

GIB (UK) workforce has an overall ratio of 36% women and 66% men, which we will aim to improve. Our gender ratio at senior levels is balanced with 35% of women across Executive Committee and Board. We are aiming for 50/50 male/female ratio by 2030, with an annual review, and to target 50/50 male/female ratio for interviews in 2022.

We engage in a number of events and volunteer opportunities such as the "She Can Be" event, to raise awareness for young women and encourage their interest in a career in financial services.

Ethnicity

24% of those who disclosed their ethnicity were from minority backgrounds, compared to 15% in financial services generally.

4.11.3 Disability awareness and inclusion:

No 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 professional socio-economic background among management and more senior employees.

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

In 2021, we offered inclusive internships.

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 2021 employee engagement score was 79% compared with 78% in 2020.

At GIB(UK) we engage in a variety of volunteering activities that encourage our employees to interact with members of the community. For example, we volunteer at Barking and Dagenham Future Youth Zone in which we offer various activities to young people such as interview practice and job application advice, to encourage them apply for job roles they are most interested in without fear of being disregarded due to their age, gender, race, background, disability, religion etc.

4.11.4 Learning and Development

In order to achieve our targets at GIB(UK), we provide a range of development programmes and trainings 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 being delivered through a variety of channels. As a result of the Covid pandemic training has been successfully delivered virtually, and this will be an ongoing theme, even when we return to the office.

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).

Five 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.

Our GIB(UK) Communities have run throughout the COVID 19 pandemic ,regular tea/coffee meetings, language, cookery and photography classes and quiz nights to help our employees stay connected and socialise. We also ran a number of exercise classes.

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

4.11.6 Partnerships and Industry Recognition

Partnerships and awards

_____ We are a proud member/partner/signatory of: _____



_____ Our recent awards: _____



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.

We have increased the breadth and depth of our disclosures to include, among other things, disclosures against the Principles for Responsible Banking.

We aim to continue to improve our disclosures. Going forward, we will continue to implement the Principles for Responsible Banking into our business in general and in our reporting approach.

Please visit our website for further information on the following:

- Modern Slavery Statement
- GIB (UK) Tax Strategy
- GIB (UK) Pension Fund Investment Principles
- Corporate Governance Arrangements
- GIB (UK) Proxy Voting Report
- GIB (UK) Code of Conduct
- GIB (UK) Pension Scheme Annual Engagement Policy Implementation Statement

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

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

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 with the purpose of continually evaluating and managing risks across the firm.

The purpose of our risk management analysis is to ensure all risks faced by GIB (UK) are managed in line with our Risk Appetite and Business Plan to promote a strong understanding of risk and the 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.

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 environment. 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 the Risk Management Framework becomes a core element of GIB (UK)'s culture.

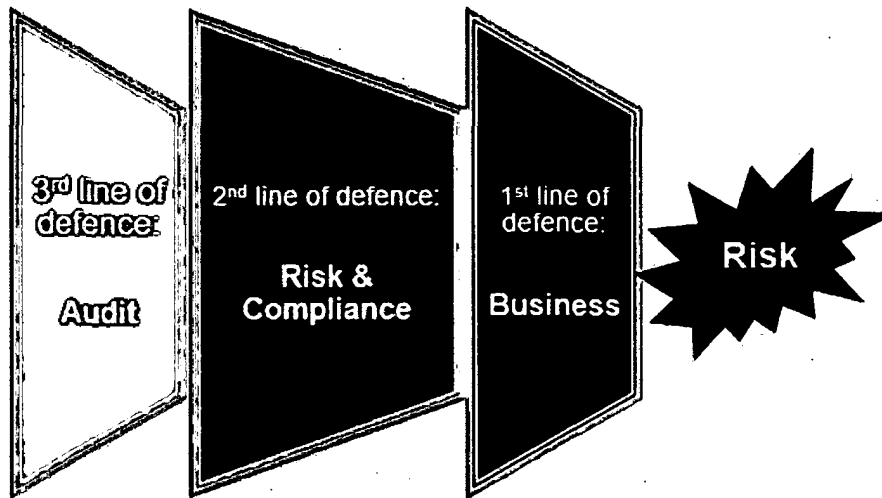
At GIB (UK) we adopt a holistic view of risks on a firm-wide basis. GIB (UK) conducts a periodic review of its risk profile, at least on an annual basis, to ensure that it remains current and allows for recognition of emerging and escalating risks.

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

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

4.15 Three Lines of Defence

GIB (UK) has a clearly defined three lines of defence model in place which is in accordance with generally accepted best practice.



First Line Business Units (Treasury & Banking and Asset Management)	Second Line Oversight Function (Risk and Compliance)	Third Line Independent Assurance
<ul style="list-style-type: none"> Responsible for the ongoing management of risks Identify, assess and report exposures taking into account the firm's risk appetite and policies 	<ul style="list-style-type: none"> Supports the identification, measurement, monitoring and reporting of risks Oversees the business lines risk taking activities 	<ul style="list-style-type: none"> Not involved in the development, implementation or reporting of risk management framework Provides independent management assurance on internal controls and the risk management framework to the Board

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

4.16 Material Risk Categories

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

Credit Risk	Operational Risk	Strategic and Business Risk
Market Risk	Concentration Risk	Conduct Risk
Liquidity Risk	Reputational Risk	Investment Risk

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

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 2021.

Directors

The directors at the date of this report are:

Abdulaziz Al-Helaissi (Chair)

Dr Abdullah AL-Abdul Qader

Jamal Al-Kishi (appointed June 2021)

Turki AlMalik

Ralph Campbell

Katherine Garrett-Cox

Miriam Greenwood

Gary Withers

John Xefos

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 Accounts. 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 2021.

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 US\$ \$5.0k (2020: \$45.5k). 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.

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

Other Declarations

The Bank neither declared nor paid a dividend in 2021 (2020: 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.

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

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

DocuSigned by:

7E689E5C6803409
Ralph Campbell

Director and Chief Financial Officer

14 April 2022

Gulf International Bank (UK) Limited (Company number 1223938)
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GULF INTERNATIONAL BANK (UK) LIMITED

Opinion

We have audited the financial statements of Gulf International Bank (UK) Limited ("the Bank") for the year ended 31 December 2021 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 notes 20(b), 20(g) and 20(j) 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 2021 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.

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.

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 2021;
- We obtained management's going concern assessment which included long-term forecasts for the period 2022 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 evaluated the long term forecast with reference to management's historical forecasting accuracy and performed stress testing to consider the reasonableness of the Asset Management revenue assumptions and resultant impact on profitability over the assessed going concern period;

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

- We evaluated management's plans for future actions within the control of the Bank to maintain a surplus to binding regulatory capital 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 2021, and the minutes of Board of Directors meetings, to check for any information that might impact the going concern assumption; 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	<ul style="list-style-type: none"> • Appropriateness of the fair value of trading securities and related hedge instruments • Adequacy of the Bank's control environment in relation to the financial statement close process
Materiality	<ul style="list-style-type: none"> • Overall materiality of \$ 2.04m which represents 0.5% of the Bank's total equity (2020: \$1.3m representing 0.33% 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, including controls 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.

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. These are explained on note 20(j) of the risk management disclosures, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely 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.

As explained in Note 2.2 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.

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

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks disclosed in Note 2.2 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.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Oversight Committee
<p>Appropriateness of the fair value of trading securities and related hedge instruments</p> <ul style="list-style-type: none"> Trading securities designated at fair value through profit and loss amounted to \$56.5m as at 31 December 2021 (2020: \$33.4m), including \$2.1m classified as level 3. Related derivative instruments amounted to \$3.1m as at 31 December 2021 (2020: \$27.7m). <p>The trading securities comprise securities related to the "GTOP" fund for which fair value is driven by the recoverability of the underlying trade finance loans. There is a risk that the fair value of the trading securities comprising the GTOP fund is inappropriate, and that in turn the fair value of GIB UK's investment in the fund is inappropriate.</p> <p>Given the launch of the new securities portfolios (Sustainable World Fund (SWF) and Environmental, Social and Governance ESG), there is also a risk of</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> Performed a walkthrough during the planning stage of the audit and identified key controls. Updated our understanding of the nature and value of the investments held in the GTOP fund, and GIB UK's percentage holding in the fund. Obtained the 31 December 2021 net asset value (NAV) prepared by the fund's administrators and requested a custodian confirmation to verify existence and completeness of the underlying securities. Tested the existence of securities and derivative instruments at the year-end. Recalculated the unrealised gain/loss on the funds using the NAV and number of units held by GIB UK at the year end. Tested the existence of a sample of loans in the GTOP loan portfolio Understood the nature of the securities held in each of the new funds, and how these are valued by GIB UK. Understood the strategies to mitigate market risk and income statement volatility on ESG and SWF funds, and challenged the accounting impacts of related transactions. Performed independent price testing for all material securities and derivatives. We performed independent price testing for a sample of securities in the funds and equity portfolio. Obtained external confirmations for the derivative instruments. Assessed the appropriateness of using the carrying value of the underlying loans in GTOP as a proxy for fair value. <p>In addition, we performed the following audit procedures on the loans within GTOP fund:</p>	<p>We were satisfied that the fair value of trading securities was appropriately reflected at the year end.</p> <p>As a result of the procedures performed, we were satisfied that management's judgements were reasonable, and trading securities and related financial instruments were valued appropriately as at 31 December 2021.</p>

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

<p>inappropriate valuation and presentation of the financial instruments put in place to mitigate the market risk on these trading securities.</p>	<ul style="list-style-type: none"> • We performed credit file reviews on an extended sample of the loans to determine the appropriateness of the expected credit loss (ECL) estimate made by management. • We verified the existence of a sample of collaterals held by the fund and stressed the valuation of those collaterals. • We challenged management's assumptions included in the impairment models, based on the latest information available, the collateral in place and the experience of recovery on similar loans. • We confirmed that the impairment models for loans in default captured all reasonable expected outcomes. • We tested the completeness and accuracy of the information provided by management included in the stage 3 impairment models. 	
<p>Adequacy of the Bank's control environment in relation to the financial statement closing process</p> <p>We identified weaknesses in the control environment of the Bank, particularly in relation to the financial reporting process, as evidenced by a high number of audit issues identified and corrected.</p> <p>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.</p>	<p>Our audit approach included an assessment of the process level financial controls that management relies on for the Financial Statements Closing Process ('FSCP') .</p> <p>In response to the high number of 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.</p> <p>This included the following:</p> <ul style="list-style-type: none"> • Re-assessing the appropriateness of our materiality, noting that our materiality was based on Equity, and that our tolerable error was already at the lower end of our methodology range. • Reduced testing thresholds when performing audit testing of break items in key reconciliations and performing incremental external confirmations.. • Performing additional testing with respect to completeness of balances and cut-off testing for transactions occurring around the year end. • Involving more senior members in the audit team in the review of working papers. 	<p>We communicated to the AROC the list of misstatements corrected as a result of our audit procedures, highlighting that further improvements in the Bank's internal controls should be embedded as a matter of priority.</p> <p>Our observations to the AROC included the need to ensure that controls are designed and implemented effectively for the new transactions. We also highlighted to the AROC the requirement to ensure appropriate level of oversight as part of the group finance framework.</p> <p>This led to us extending the scope of our work by undertaking additional substantive testing. We satisfactorily obtained the necessary audit evidence from our additional substantive work.</p>

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

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 \$2.07 million (2020: \$1.3 million), which is 0.5% (2020: 0.33%) of the Bank's equity. We believe that equity reflects the most useful measure for users of the financial statements, given that the bank is loss making and operates in a regulated industry. 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% (2020: 50%) of our planning materiality, namely \$1.03m (2020: \$0.659m).

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 \$103k (2020: \$66k), 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.

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

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

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the 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.

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

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

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 six years, covering the years ending 31 December 2016 to 31 December 2021.

- 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.

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

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.

DocuSigned by:

Ernst & Young LLP.

DFA89ECF52B347E...

Jean-Philippe Faillat (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 14 April 2022

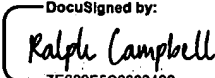
Gulf International Bank (UK) Limited (Company number 1223938)

STATEMENT OF FINANCIAL POSITION

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

	Note	31.12.2021 US\$ Thousands	31.12.2020 US\$ Thousands
ASSETS			
Cash and cash equivalents	3	5,599,337	5,069,290
Placements with banks	4	3,805,701	4,988,056
Investment in group entities	27	-	341
Trading securities	5	56,471	33,405
Derivative financial asset	21	22,397	15,196
Debt securities at amortised cost	6	1,001,816	277,194
Property, plant and equipment	7	5,087	1,390
Right-of-use assets	7.1	28,260	31,706
Other assets	8	56,297	43,584
Current tax receivable		1,026	2,482
Total assets		10,576,392	10,462,644
LIABILITIES			
Deposits from banks	10	35,438	180,064
Deposits from customers	11	10,022,108	9,774,293
Derivative financial liability	21	54,878	65,930
Deferred tax liability	19	1,851	-
Other liabilities	12	55,256	49,761
Total liabilities		10,169,531	10,070,048
EQUITY			
Share capital	13	250,000	250,000
Capital contribution		2,279	2,279
Retained earnings		125,904	132,844
Pension Reserves		28,678	7,473
Total equity		406,861	392,596
Total liabilities and equity		10,576,392	10,462,644

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

DocuSigned by:

 7E689E5C8803409...
 Ralph Campbell
 Director and Chief Financial Officer
 14 April 2022

The notes on pages 53 to 109 are an integral part of these financial statements.

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

	Note	31.12.2021 US\$ Thousands	31.12.2020 US\$ Thousands
Interest income from financial instruments measured at amortised cost		27,749	66,271
Other Interest expense		(6,645)	(12,565)
Interest expense from financial instruments measured at amortised cost		(9,043)	(39,415)
Net interest income	14	12,061	14,291
Net fee and commission income	15	4,036	5,188
Net trading income/(loss)	16	3,371	(4,106)
Foreign exchange income and revaluation of foreign currencies monetary assets and liabilities		10,845	10,204
Expected credit loss charge on financial assets		(162)	(149)
Other operating income/(loss)	26	491	(5,803)
Impairment of Right of use asset	7	(1,199)	-
Operating expenses	17	(43,014)	(38,820)
Profit/(Loss) before tax		(13,571)	(19,195)
Income tax credit	19	6,631	2,416
Net (loss) for the year		(6,940)	(16,779)

The notes on pages 53 to 109 are an integral part of these financial statements.

Gulf International Bank (UK) Limited (Company number 1223938)
STATEMENT OF COMPREHENSIVE INCOME

Note	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Loss for the year	(6,940)	(16,779)
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	28,693	17,500
Income tax relating to defined benefit pension	(7,489)	(2,451)
	21,204	15,049
Other comprehensive income for the year, net of tax	21,204	15,049
Total comprehensive income/(loss) for the year	14,264	(1,730)
Total comprehensive income/(loss) attributable to:		
Equity holders of the parent	14,264	(1,730)

The notes on pages 53 to 109 are an integral part of these financial statements.

Gulf International Bank (UK) Limited (Company number 1223938)
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 2020	250,000	2,279	(7,576)	149,480	394,183
Opening adjustment				143	143
Arising in the year:-					
- Deferred tax liability on defined benefit pension	-		(2,451)		(2,451)
- Pension reserves	-		17,500		17,500
Total other comprehensive income	-		15,049	-	15,049
Net loss for the year	-		-	(16,779)	(16,779)
Total comprehensive income/(loss) for the year	-		15,049	(16,779)	(1,730)
Balance at 31 December 2020	250,000	2,279	7,473	132,844	392,596
Balance at 1 January 2021	250,000	2,279	7,473	132,844	392,596
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/(loss) for the year	-		21,205	(6,940)	14,265
Balance at 31 December 2021	250,000	2,279	28,678	125,904	406,861

* The 2020 opening adjustment is in relation to the classification error whereby the 2019 GIBUK income had been classified as GIB AIM income. This had been corrected at the time of the preparation of prior year GIB AIM financial statements. Given these financial statements are prepared on a standalone basis, therefore it has been disclosed as an opening adjustment.

The notes on pages 53 to 109 are an integral part of these financial statements.

Gulf International Bank (UK) Limited (Company number 1223938)
STATEMENT OF CASH FLOW

Note	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Operating cash flows from operating activities		
Loss before tax	(13,571)	(19,195)
Adjustments to reconcile loss before tax to net cash flow from/(used) in operating activities: -		
Income tax received/(paid)	2,400	(1,049)
Depreciation of property and equipment	1,270	1,320
Depreciation of ROA assets	2,247	2,121
Change in accrued interest receivable	10,789	8,386
Change in accrued interest payable	(649)	(6,604)
Change in other net assets (Including movements to pension reserve)	(7,360)	38,153
Change in trading securities	(23,066)	(5,937)
Change in placements with banks	994,557	(226,199)
Change in debt securities at amortised cost/Investment securities net	(724,622)	(99,922)
Change in deposits from banks	(144,626)	(631,458)
Change in deposits from customers	247,815	(665,755)
Finance costs (lease liability) and FX loss on reval of lease liability	940	3,466
Impairment	1,199	-
Net cash inflow/(outflow) from operating activities:	347,323	(1,602,673)
Cash flows from investing activities		
Net purchase of property and equipment	(4,966)	(735)
Net cash used in investing activities	(4,966)	(736)
Cash flows from financing activities		
Payment of principal portion of lease liabilities	(108)	(808)
Net cash used in financing activities	(108)	(808)
Net increase/(decrease) in cash and cash equivalents	342,249	(1,604,216)
Cash and cash equivalents at beginning of year	5,257,088	6,861,304
Cash and cash equivalents at end of year*	5,599,337	5,257,088
< 3 months original maturity placements	-	187,798
Cash and cash equivalents	5,599,337	5,069,290
	5,599,337	5,257,088

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

The notes on pages 53 to 109 are an integral part of these financial statements.

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

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.

Coronavirus ("COVID-19")

In 2021 we again had to navigate the impact of COVID-19. However, in 2021 there was more certainty than in the previous year. The spread of new variants did impact and force further restrictions however the successful roll out of inoculations, in most developed countries, provided Governments and people with a degree of comfort as the contagiousness and health risk of the disease, was reduced. At the end of 2021, the highly contagious Omicron variant did precipitate further restrictions in the UK but now is seen as being far less dangers to individuals health.

The three most material impacts of the virus on GIBUK has been; the inability to visit clients, the requirement to work remotely, both of these are no longer issues as we have visited clients at the end of 2021 and regularly in Q1 2022. Our UK Office is now fully open and we are operating a "hybrid" working environment. The third issue has been the impact of Central Banks and their actions which has created a large amount of liquidity in the system. The latest announcements from the main Central Banks have been for a tightening of monetary policies and to begin to raise interest rates. Both of which would be beneficial to GIBUK. Refer note 20(a) credit risk.

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 2021 financial statements till 14 April 2023. 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.

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

1. General Information (continued)

Basis of Preparation (continued)

Going concern (continued)

Going concern forward-looking view

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 including the Covid 19 stress scenario as mentioned above.

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

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

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.

Interest rate benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

On 27 August 2020 the International Accounting Standards Board (IASB or the Board) published 'Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' (IBOR reform Phase 2). IBOR reform Phase 2 provides temporary reliefs to address the accounting issues which arise upon the replacement of an InterBank Offered Rate (an IBOR) with an alternative nearly risk-free interest rate (an RFR). Publication of IBOR reform Phase 2 concludes the IASB's work to respond to the effects of IBOR reform on financial reporting. The effective date of the IBOR reform Phase 2 amendments is for annual periods beginning on or after 1 January 2021. For the purposes of these financial statements, the Bank has adopted the IBOR reform Phase 2 amendments in its financial statements for the year ended 31 December 2021, and has provided the required disclosures in the notes to the financial statements. See Note xx

1.2 Standard and revisions effective for future periods

Amendments to IAS 1

In February 2021, the IASB issued amendments to IAS 1 which provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The IASB also issued amendments to IFRS Practice Statement 2 to 1. 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.

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.

2.2 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

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

2. Summary of significant accounting policies (continued)

2.2 Significant accounting estimates, judgements and assumptions (continued)

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.

Expected credit losses

For the year ended 31st December 2021, the Group has updated inputs and assumptions used for the determination of expected credit losses ("ECLs") in response to uncertainties caused by COVID 19 and oil prices volatility. ECLs were estimated based on a range of forecast economic conditions as at that date. Considering that the situation is fast evolving, the Group has considered the impact of higher volatility in the forward-looking macro-economic factors, when determining the severity and likelihood of economic scenarios for ECL determination. This volatility has been reflected through adjustment in the methods of scenario construction and the underlying weightages assigned to these scenarios. The forward-looking factors used to derive the point-in-time (PIT) probability of default (PD) incorporate the following assumptions for the key markets of the Kingdom of Saudi Arabia and United Arab Emirates: real GDP growth between -1.2% to 0.9% (31 December 2020: 1.2% to 0.9%); and fiscal deficit as a percentage of GDP between -8.1% and -11.8% over the next 12 months (31 December 2020: 8.1% to 11.8%). The aforementioned values of macro-economic factors have been derived by assigning probabilities to the base case, negative case and positive case scenarios in the ratio of 50:25:25, respectively (31 December 2020: 50:25:25). The situation is fast evolving and accordingly any downside scenarios will be reassessed if adverse conditions continue. The Group also updated the relevant forward-looking information of the Group's international operations with respect to the weightings of the relevant macroeconomic scenarios relative to the economic climate of the respective markets in which it operates.

In addition to the assumptions outlined above, the Group continues to closely monitor the potential repayment risk impact of COVID-19 on affected industry sectors. Refer note 20(a) credit risk.

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 application of the discretionary increase.

Fee Income

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

In calculating the fee income, the management uses the net asset values estimate provided for the discretionary 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.

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

2. Summary of significant accounting policies (continued)

2.3 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.

2.4 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.

2.5 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.

2.6 Recognition of interest income and expense

2.6.1. 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.

2.6.2 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.

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

2. Summary of significant accounting policies (continued)

2.7 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.

ii) Net Trading Income

Changes in fair value of trading securities and related derivatives and change in fair value derivatives under arbitrage are included in net trading income, together with the related interest income and dividend income from trading securities.

2.8 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.

2.9 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.

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

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

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;

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

- 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.

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.

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

2. Summary of significant accounting policies (continued)

2.9 Financial assets and liabilities (continued)

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.

2.10 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.

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

2. Summary of significant accounting policies (continued)

2.10 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.

2.11 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 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

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

2. Summary of significant accounting policies (continued)

2.12 Derecognition other than on a modification (continued)

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.

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.

2.13 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

2.14 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

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

2. Summary of significant accounting policies (continued)

2.14 Leases (continued)

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 (using the effective interest method) 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.

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.

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

2. Summary of significant accounting policies (continued)

2.15 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.

2.16 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.

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

2. Summary of significant accounting policies (continued)

2.16 Income taxes (continued)

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.

2.17 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.

2.18 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.

2.19 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.

2.20 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: the fair value of a recognised asset or liability (fair value hedge),

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

2. Summary of significant accounting policies (continued)

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.

2.21 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.

2.22 Investment in Group entities

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

3. Cash and cash equivalents with other banks

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Cash	9	11
Balances with central banks	5,353,036	4,847,864
Cash and balances with other banks	246,292	221,415
	<u>5,599,337</u>	<u>5,069,290</u>

Cash and cash equivalents on the cash flow statement of \$5,599,337(2020: 5,257,088) include placements with maturity of up to 3 months amounting to \$Nil (2020: \$187,798) – Refer note 4.

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

4. Placements with banks

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Original maturity 3 months or less but not repayable on demand	-	187,798
Remaining maturity 3 months or less but not repayable on demand	1,721,944	2,309,073
Remaining maturity over 3 months but less than 1 year	1,743,455	2,122,530
Remaining maturity over 1 Year but less than 2 years	340,421	-
Remaining maturity over 2 years	-	368,740
	3,805,820	4,988,141
Less: Allowance for impairment losses	(119)	(85)
	3,805,701	4,988,056

A total of \$200mn, (2% of the balance sheet assets), relates to tri-party reverse repo transactions with the Parent (GIB BSC) (2020: \$780mn, 7% of balance sheet assets) and a further \$200mn, 2% of balance sheet assets, relates to tri-party reverse repo transactions with other banking counterparties (2020: \$1,170mn, 11% of balance sheet assets). The net exposure after credit mitigation on all of the tri-party reverse repo transactions amounted to \$0.1mn (2020: \$21.9mn) of which \$Nil (2020: \$2.7mn) was with GIB BSC.

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.

	31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	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

	31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
Investment grade 1-4	4,988,056	-	-	4,988,056
Sub-Investment grade (5-7)	-	-	-	-
Classified (8-10)	-	-	-	-
At 31 December	4,988,056	-	-	4,988,056

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

4 Placements with Banks (continued)

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	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	2020
	Stage 1	Stage 2	Stage 3	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
Gross carrying amount as at 1 January 2020	4,590,887	-	-	4,590,887
New asset originated or purchased	4,260,501	-	-	4,260,501
Asset de-recognised or repaid	(3,863,247)	-	-	(3,863,247)
Amounts written off	-	-	-	-
At 31 December 2020	4,988,141	-	-	4,988,141
	Collective		Specific	
	Stage 1	Stage 2	Stage 3	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
At 1 st January 2020	130	-	-	130
ECL provision/(reversal) for 2020	(45)	-	-	(45)
Gross carrying amount as at 31 December 2020	85	-	-	85
ECL Provision (reversals) during 2021	34	-	-	34
At 31 December 2021	119	-	-	119

5. Trading securities

	2021	2020
Equity securities	56,471	33,405
Total trading securities	56,471	33,405

These trading securities do not have a contractual maturity. The increase in value from 2020 largely relates to the launch of a new fund in Q4 2021.

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

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

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Sovereigns and Governments	925,236	177,191
Financial Institutions	36,550	56,795
Corporates	40,405	43,455
	1,002,191	277,441
Less: Allowance for impairment losses	(375)	(247)
	1,001,816	277,194

The increase in Sovereigns and Governments in 2021 is due to GIB UK investing in Japanese Government Bonds during the year.

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:

	31.12.2021			31.12.2020	
	Stage 1	Stage 2	Stage 3	Total	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
Investment grade 1-4	1,002,191	-	-	1,002,191	277,441
Sub-Investment grade (5-7)	-	-	-	-	-
Classified (8-10)	-	-	-	-	-
At 31 December	1,002,191	-	-	1,002,191	277,441

Gulf International Bank (UK) Limited (Company number 1223938)**6 Financial investments other than those measured at FVTPL (continued)****6.1 Impairment allowance for financial investment other than those measured at FVTPL (continued)**

	Stage 1	Stage 2	Stage 3	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
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	-	-	-	-
Amounts written off	-	-	-	-
At 31 December 2021	1,002,191	-	-	1,002,191
Gross carrying amount as at 1 January 2020	177,326	-	-	177,326
New asset originated or purchased	136,115	-	-	136,115
Asset de-recognised or repaid	(36,000)	-	-	(36,000)
Amounts written off	-	-	-	-
At 31 December 2020	277,441	-	-	277,441

	Collective provision		Specific Provision	
	Stage 1	Stage 2	Stage 3	Total
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
At 1 st January 2020	54	-	-	54
ECL provision for 2020	193	-	-	193
As at 31 December 2020	247	-	-	247
ECL provision/(reversals) for 2021	128	-	-	128
At 31 December 2021	375	-	-	375

Gulf International Bank (UK) Limited (Company number 1223938)**7. Property, plant and equipment**

	US \$ Thousands	
	Leasehold improvements	Equipment
Cost		Total
As at 1 January 2021	9,447	21,200
Additions	3,282	1,684
As at 31 December 2021	12,729	22,884
Accumulated depreciation		
As at 1 January 2021	9,447	19,810
Depreciation charge	274	996
As at 31 December 2021	9,721	20,806
Net book value at 31 December 2021	3,008	2,078

Cost			
As at 1 January 2020	9,447	20,481	29,928
Additions	-	735	735
Prior year adjustments	-	(16)	(16)
As at 31 December 2020	9,447	21,200	30,647
Accumulated depreciation			
As at 1 January 2020	8,982	18,955	27,937
Depreciation charge	451	838	1,289
Prior year adjustments	14	17	31
As at 31 December 2020	9,447	19,810	29,257
Net book value at 31 December 2020	-	1,390	1,390

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 December 2021 USD \$ Thousands	31 December 2020 USD \$ Thousands
Balance as at 1 January	31,706	1,118
Recognition of new Right-of-use assets – Property*	-	32,709
Depreciation charge for the year on right of use assets.	(2,247)	(2,121)
Impairment	(1,199)	-
Balance at 31 December	28,260	31,706

*The Bank entered into new lease agreements for the lease of its office space which resulted in recognition of new right of use assets. The main London office lease expires in 2035 and the New York Branch lease expires in 2031.

Gulf International Bank (UK) Limited (Company number 1223938)**7 Property, plant and equipment (continued)***Impairment of right of use assets*

The impairment relates to the lease on the London office and has been calculated looking at the expected future cash flows for the lease, a value in use valuation. The impairment has been recognised in 2021 based on the Banks ability to utilise all of the asset in the foreseeable future. The discount rate used was 3.75%. There have been no other impairments recognised in the period.

ii) Profit and loss impact**Impact on profit or loss for the year ended 31 December 2021**

	31 December 2021	31 December 2020
	USD \$ Thousands	USD \$ Thousands
Depreciation of right-of-use assets	(2,247)	(2,121)
Interest expense on lease liabilities	(1,281)	(632)
Exchange gains/(losses) on revaluation of lease liability	341	(2,834)
Impairment	(1,199)	-
(Decrease) in profit for the year	(4,386)	(5,587)

8. Other assets

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Prepayments and accrued income	10,582	26,256
Post-retirement benefit assets	45,367	16,507
Overseas tax	3,174	2,978
Other	348	820
	59,471	46,561
Less: provision on overseas tax claim*	(3,174)	(2,978)
	56,297	43,583

* 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.

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

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 2018. 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 (2020: \$16.5m) to a net asset position (2021: \$45.4m). This is driven by both an increase in the value of pension assets and a decrease in the liability.

US Scheme

The Bank operates a funded defined benefit pension scheme for certain United States of America based employees which had obligations of \$1.558mn (2020: \$1.542mn) and assets of \$1.548mn (2020: \$1.335mn) at 31 December 2020, these figures are included in the figures below.

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

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Fair value of plan assets	244,356	225,140
Present value of defined benefit obligations	(198,988)	(208,633)
Net asset in statement of financial position	45,367	16,507

Gulf International Bank (UK) Limited (Company number 1223938)**9 Employee benefits (continued)**

Changes in the present value of the defined benefit obligations were as follows:-

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Defined benefit obligation at start of year	208,633	210,850
Current service cost	563	485
Interest cost on defined benefit scheme obligation	2,612	3,950
Net remeasurement (gains)/losses - demographic	211	905
Net remeasurement (gains)/losses - financial	(13,245)	23,298
Net remeasurement (gains)/losses - experience	7,889	(27,492)
Benefits paid	(5,830)	(9,047)
Past service cost including curtailment	-	(642)
Exchange differences	(1,845)	6,326
Defined benefit obligation at end of year	198,988	208,633

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

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Fair value of the plan assets at start of year	225,140	206,641
Interest Income on scheme assets	2,813	3,934
Return on assets excluding amounts included in net interest	24,373	11,667
Employer Contributions	372	4,402
Benefits paid	(5,830)	(9,048)
Exchange differences	(2,512)	7,544
Fair value of the plan assets at end of year	244,356	225,140

There were no material curtailments or settlements during the year.

The Group expects to contribute GBP0.3mn (US\$0.4mn) to the pension plans in the period ended 31 December 2022

Plan assets disclosure UK Scheme

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Hedge Fund	60,484	63,438
Equity instruments	79,100	82,614
LDI Fund	55,556	44,859
Cash	6,645	3,595
Debt instruments	15,630	15,885
Real estate	25,392	13,566

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

9 Employee benefits (continued)

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.

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:-

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Current service cost	563	485
Net Interest income/cost on net defined benefit scheme obligations/assets	(201)	16
Past service costs including Curtailments	-	-
Amortisation of actuarial loss	-	-
Total included in staff expenses	363	501

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

9 Employee benefits (continued)

Information about the defined benefit obligation:-

	Liability split		Duration (years)	
	2021	2020	2021	2020
Active members	8.6%	8.8%	22.2	23.3
Deferred members	52.9%	53.2%	20.5	21.6
Pensioners	38.5%	38.0%	12.8	13.5
Total	100%	100%	17.8	18.7

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

	31.12.2021	31.12.2020
Discount rate	1.9%	1.3%
Rate of salary increases	3.0%	3.0%
Retail Price Inflation (% p.a)	3.4%	2.9%
Consumer Price Inflation (% p.a)	2.7%	2.2%
Rate of pension increases (5% Limited Price Indexation)	3.3%	2.9%
Rate of pension increases (2.5% Limited Price Indexation)	2.3%	2.1%

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

	31.12.2021	31.12.2020
male aged 40	28.6	28.5
male aged 60	28.1	28.1
female aged 40	30.5	30.5
female age 60	29.6	29.6

Change in assumptions compared with 31 December actual assumptions

		Change in Actuarial value of Liabilities on 31 December 2021	Actuarial value of Liabilities on 31-Dec-2021
		US\$ Thousands	
Base Case			197,229
Discount rate	0.5 % decrease	Increase of 18,641	215,516
Life Expectancy	1 year increase	increase of 8,042	205,119
Inflation	0.5 % increase	increase of 8,649	205,714

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 \$56.6mn at 31 December 2021, 2020: \$44.91mn) designed to hedge 75% of pure inflation risk and 50% of the interest rate risk.

Gulf International Bank (UK) Limited (Company number 1223938)**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 2021 was \$2.6mn (2020: \$1mn).

10. Deposits from banks

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Repayable on demand	2,712	1,154
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	31,074	178,910
- 1 year or less but over 3 months	1,652	-
	35,438	180,064

Deposits from banks includes \$Nil (2020: \$159.2mn) from Gulf International Bank BSC.

11. Deposits from customers

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Repayable on demand	3,897,118	4,643,860
With agreed maturity dates or periods of notice, by remaining maturity:		
- 3 months or less but not repayable on demand	2,361,857	4,448,314
- 1 year or less but over 3 months	3,763,133	605,596
- over 1 Year but less than 2 years	-	76,523
	10,022,108	9,774,293

Gulf International Bank (UK) Limited (Company number 1223938)**12. Other liabilities**

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Creditors and accruals	18,334	13,779
Lease liabilities (i)	36,922	35,982
	55,256	49,761

i) Lease Liabilities

Changes in liabilities arising from financing activities

	2021	2020
	US\$ Thousands	US\$ Thousands
Lease liabilities as at 1 January	35,982	1,185
New leases (see below)		32,139
Finance cost	1,281	632
Foreign exchange impact	(341)	2,834
Less: cash flows in relation to the principal portion of the lease payments		(808)
Total as at 31 December	36,922	35,982

No new leases were entered into in 2021, the new leases below were entered into in 2020.

	Currency	Discount rate	Maturity	US\$ Thousands
Lease 1	GBP	3.60%	July 2035	30,959
Lease 2	USD	3.25%	April 2031	1,180
Total				32,139

13. Share capital and reserves

The total number of authorised ordinary shares at 31 December 2021 was 480 million shares of \$1 each (2020: 480 million shares of \$1 each). The total number of issued ordinary shares at 31 December 2021 was 250 million shares of \$1 each (2020: 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.

Gulf International Bank (UK) Limited (Company number 1223938)**14. Net interest income**

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Interest income from financial instruments measured at amortised cost		
Interest on placements and other liquid assets	24,878	61,214
Interest on securities	2,871	5,057
Total	27,749	66,271
Other interest expense		
Net interest on derivative hedges	(5,363)	(11,933)
Finance cost on lease liabilities	(1,282)	(632)
Total	(6,645)	(11,933)
Interest expense from financial instruments measured at amortised cost		
Interest on deposits	(9,043)	(39,415)
Total interest expense	(9,043)	(39,415)

As the Bank applies fair value hedges on a number of financial instruments held at amortised cost, the net interest income after considering the interest on derivative hedges is USD\$23mn (2020 US\$54mn).

15. Net fee and commission income

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Fee and commission income:		
Investment banking and management fees- Investment banking	3,810	4,860
Commissions on letters of credit and guarantee- Treasury and Banking	1,028	906
Other fee and commission income	393	345
Total fee and commission income	5,231	6,111
Fee and commission expense:		
Brokerage	(331)	(349)
Commissions paid	(428)	(176)
Nostro charges	(436)	(398)
Total fee and commission expense	(1,195)	(923)
Net fee and commission income	4,036	5,188

Gulf International Bank (UK) Limited (Company number 1223938)**16. Net trading income/ (loss)**

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Equities and other trading income	(1,748)	(9,611)
Derivatives under Arbitrage	5,119	5,505
	<u>3,371</u>	<u>(4,106)</u>

Trading income included gains from seed investments in GIBUK's managed funds amounting to \$1.2m. (2020: \$8.5mn loss), (more information on these funds is included in note 29) and gains on the ESG portfolio amounting to \$5.4m (2020: \$1.1mn loss). GIBUK enters into derivative contracts to economically hedge the seed investments, the loss of those derivatives was \$8.3m.

17. Operating expenses and Auditors' remuneration

	Note	31.12.2021	31.12.2020
		US\$ Thousands	US\$ Thousands
Staff Costs	18	26,151	21,972
Premises		2,285	2,479
Depreciation	7	1,269	1,320
Depreciation on right of use assets		2,247	2121
Other expenses		<u>11,062</u>	<u>10,928</u>
		<u>43,014</u>	<u>38,820</u>
Auditor's remuneration			
Audit of these financial statements		335	419
Amounts receivable by the company's auditor and its associates in respect of:			
- further regulatory assurance related services		42	45
- audit related assurance services		35	51

18. Staff costs

x

	Note	31.12.2021	31.12.2020
		US\$ Thousands	US\$ Thousands
Salaries and wages		18,115	14,669
Social security costs		2,304	1,747
Pension costs:			
- Defined Contribution plans	9	2,605	1,044
- Defined Benefit plans	9	363	501
Other staff costs		<u>2,764</u>	<u>4,011</u>
		<u>26,151</u>	<u>21,972</u>

The average number of persons employed by the Bank during the year was 81 (2020: 74).

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

19. Income tax expense

Recognised in the statement of comprehensive income

a) Income Tax

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Current tax (credit)/charge:		
Current tax on income for the year	(1,013)	(2,073)
Adjustment in relation to prior years	42	(14)
Foreign Exchange differences	(22)	(140)
Deferred tax credit:		
Deferred tax relating to the origination and reversal of temporary differences	(4,075)	30
Effect of Tax rate change	(1,850)	(219)
Adjustment in relation to prior years	287	-
Tax (credit)/charge	(6,631)	(2,416)

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

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Loss before tax	(13,571)	(19,195)
Corporation tax using the domestic corporation tax rate	19.00% (2,578)	(19.00%) (3,647)
Non deductible expenses	(0.8%) 104	(1.2%) 226
Income not taxable for tax purposes	0.3% (43)	0.0% (1)
Movement in deferred tax asset not recognised		
- in respect of losses	11.7% (1,582)	(7.2%) 1,388
Adjustment in relation to prior years - current tax	(0.3%) 42	0.1% (14)
Adjustment in relation to prior years - deferred tax	(2.1%) 287	0.0% -
Current Tax exchange difference arising on movement between open/close spot rates	(0.3%) 34	0.8% (153)
Remeasurement of deferred tax for changes in tax rates	13.6% (1,850)	1.1% (219)
Foreign exchange difference/(revaluation)	0.2% (22)	0.0% -
Other Permanent Differences	0.0% -	(0.0%) 4
Fixed Asset Differences	0.1% (10)	-
Utilisation of unrecognised losses via an extended loss carry back claim	7.5% (1,013)	-
Total tax (credit)/charge	(6,631)	(2,416)
	49%	13%

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

19. Income tax expense (continued)

c) Deferred taxation

Movement in deferred tax

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Deferred tax asset as at 1 January	-	2,263
Prior year adjustment to deferred tax (charge) / credit	(287)	
Deferred tax movement through P&L (charge) / credit	4,075	(30)
Deferred tax movement through OCI (charge) / credit	(7,489)	(2,452)
Rate change adjustment in P&L (charge) / credit	1,850	219
Deferred tax (liability)/asset as at 31 December	(1,851)	-

Recognised deferred tax (liability) (Net)

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Pensions	(10,788)	(2,575)
Fixed Assets	139	372
Tax Losses	8,673	2,203
Deferred Remuneration	125	
Recognised deferred tax (liability) (Net)	(1,851)	-

Unrecognised deferred tax asset (Gross)

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Tax Losses	-	13,674

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.

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

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.

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

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.

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

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 2021, the probabilities assigned to the base case, negative case and positive case scenarios were in the ratio of 50:25:25 respectively (2020: 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

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

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 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	-	-	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

As at 31 December 2020

	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	-	5,069	-	-	5,069	5,069
Placements with banks	-	4,988	-	-	4,988	4,988
Investment Securities	-	0	277	-	277	277
Trading securities	33	-	-	-	33	33
Derivative financial assets	15	-	-	-	15	15
Other assets	-	-	-	38	38	38
	48	10,057	277	38	10,420	10,420
Deposits from banks	-	180	-	-	180	180
Deposits from customers	-	9,774	-	-	9,774	9,774
Derivative financial liabilities	66	-	-	-	66	66
Other liabilities	-	-	-	50	50	50
	66	9,954	-	50	10,070	10,070

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

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 \$400mn (2020: \$1,928mn)

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 2021					
GCC	1,379	58	-	3	1,440
Europe	7,240	193	-	54	7,487
North America	287	39	-	-	326
Asia	477	767	-	1	1,245
Oceania	22	-	-	-	22
Total	9,405	1,057	-	58	10,520
As at 31 December 2020					
GCC	1,533	53	-	-	1,586
Europe	7,889	215	-	38	8,142
North America	409	11	-	-	420
Asia	226	31	-	-	257
Oceania	-	-	-	-	-
Total	10,057	310	-	38	10,405

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:

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

20 Risk management (continued)

a) Credit risk (continued)

Internal rating grade	Internal classification	External rating	
		Fitch and S&P	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	-
	31.12.2021	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 cre	-	-	-
Stage 3 (Life ECL and credit-	-	-	-
Total	9,405	1,002	10,407
	31.12.2020	31.12.2020	Total
	US\$ mn	US\$ mn	US\$ mn
	Cash and Cash	Debt Securities	
Stage 1 (12 Month ECL)			
Rating grades 1 to 4	10,057	277	10,334
Carrying value	10,057	277	10,334
Stage 2 (Life ECL but not cre	-	-	-
Stage 3 (Life ECL and credit-	-	-	-
Total	10,057	277	10,334

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

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, US\$ Thousands	Debt Securities US\$ Thousands	US\$ Thousands
Stage 1	85	247	332
Stage 2	-	-	-
Stage 3	-	-	-
Total as at 31 Dec 2020	85	247	332
Stage 1 provisions during 2021	34	128	162
Total as at 31 Dec 2021	119	375	494

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 2021 was \$1.1mn, equivalent to 0.28% of equity (2020: \$1.2mn, 0.31% of equity). The minimum, maximum and average VaR in 2021 were \$0.54mn, \$3.0mn and \$1.7mn respectively (2020: \$0.43mn, \$3.8mn and \$1.8mn). 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.

The VaR by risk class for the Bank's trading positions (un-audited) was as follows:-

	2021 US\$ mn	2021 Average US\$ mn	2020 US\$ mn	2020 Average US\$ mn
Interest rate risk	0.2	0.6	0.2	0.6
Foreign exchange risk	0.2	0.4	0.2	0.4
Equity & Managed Funds	1.2	1.7	1.2	1.7
Total diversified risk	1.2	1.8	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 2021 is \$3mn (2020: \$2.5mn).

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

20 Risk management (continued)

b) Market risk (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 2021 a parallel upward shift in the interest rate curve by 200 basis points would equate to a positive impact of \$4.4mn (2020: \$3.7mn).

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 2021. 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)

20 Risk management (continued)

b) Market risk (continued)

	As at 31 December 2021							Total
	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	
	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	340	-	-	-	3,805
Debt Securities at amortised cost	2	235	304	411	48	-	-	1,001
Property, equipment, ROA 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	408	393	(765)	(45)	-	-	
As at 31 December 2021	1,039	(140)	(542)	(13)	3	-	(372)	
Interest rate sensitivity gap								
Cumulative interest rate sensitivity	1,039	899	358	344	348	348	(25)	

Interest rate sensitivity gap analysis

	As at 31 December 2020							Total
	Within 3 months	4 to 6 months	7 months to 1 year	2 and 3 years	4 and 5 years		Non-interest bearing items	
	US\$ mn	US\$ mn	US\$ mn	US\$ mn	US\$ mn		US\$ mn	
Assets								
Cash and cash equivalents	5,069	-	-	-	-	-	-	5,069
Placements with banks	2,497	1,442	681	-	368	-	-	4,988
Debt Securities at amortised cost	27	-	30	193	27	-	-	277
Property, equipment and other assets	-	-	-	-	-	-	80	80
Total assets	7,593	1,442	711	193	395	-	80	10,414
Liabilities & shareholder equity								
Deposits from banks	180	-	-	-	-	-	-	180
Deposits from customers	9,092	550	55	77	-	-	-	9,774
Other liabilities	-	-	-	-	-	-	50	50
Shareholder funds	-	-	-	-	-	-	393	393
Total liabilities & shareholder equity	9,272	550	55	77	-	-	442	10,397
On-balance sheet items	(1,679)	891	656	116	395	-	(363)	
Effect of derivatives (Interest Rate Swaps) held for risk management	909	(171)	(280)	(432)	(26)	-	-	
As at 31 December 2020	(770)	720	376	(316)	369	-	(363)	
Interest rate sensitivity gap								
Cumulative interest rate sensitivity	(770)	(50)	326	10	380	380	17	

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

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

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.

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

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

20 Risk management (continued)

c) Liquidity risk (continued)

	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 2021							
Deposits from banks	35	(35)	(33)	(2)	-	-	-
Deposits from customers	10,022	(10,022)	(6,259)	(3,763)	1	-	-
Other liabilities including Lease 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)
As at 31 December 2020							
Deposits from banks	180	(180)	(180)	-	-	-	-
Deposits from customers	9,774	(9,774)	(9,092)	(606)	(76)	-	-
Other liabilities	50	(60)	(14)	(0)	(7)	(7)	(32)
Derivative financial instruments:							
- contractual amounts payable	66	(66)	(44)	(13)	(8)	(1)	-
- contractual amounts receivable	(15)	15	5	8	2	0	-
Total undiscounted financial liabilities	10,055	(10,065)	(9,325)	(611)	(89)	(8)	(32)

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.

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

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 2021 or 31st December 2020.

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	2,606	87	857	6,022	771	233	10,576

Balance sheet by currency: 31st December 2020

	\$ MNs						
	USD	SAR	EUR	GBP	JPY	OTH	Total
Total Assets	3,896	63	1,229	5,115	9	151	10,463
Total Liabilities and Equity	3,896	63	1,229	5,115	9	151	10,463

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

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

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

20 Risk management (continued)

f) Hedge accounting (continued)

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

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 2020. 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 and no breaches were reported to the PRA during the year.

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	
	2021	2020
Tier 1 capital		
Share capital	250,000	250,000
Capital contribution	2,279	2,279
Retained earnings and other reserves	165,148	140,291
Pension Asset and other deductibles	(36,225)	-
Total tier 1 regulatory capital	381,201	392,570
Risk-weighted assets (unaudited)		
Credit risk	1,656,411	1,199,654
Market risk	166,380	149,362
Operational risk	96,890	128,542
Credit valuation adjustment	12,553	4,906
Total risk-weighted assets	1,932,234	1,482,464
Capital adequacy ratio (unaudited)	19.7%	26.5%
Total regulatory capital expressed as a percentage of total risk-weighted assets		

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

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

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.

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

20 Risk management (continued)

i) Fair value hierarchy (continued)

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	35,108	-	35,108	-
Deposits from customers	10,022,438	-	10,022,438	-
Other liabilities including Lease liabilities	57,000	-	57,000	-
	10,114,545	-	10,114,545	-

As at 31 December 2020				
US\$ Thousands				
Carrying amount	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Investment in Group entities	341	-	341	-
Trading securities	33,405	27,499	-	5,906
Derivative financial assets	15,196	-	15,196	-
	48,942	27,499	15,537	5,906
Financial assets not measured at fair value				
Placements with Banks	4,988,056	-	4,988,056	-
Cash & cash equivalents	5,069,290	-	5,069,290	-
Debt securities at amortised cost	277,194	-	277,194	-
Other assets	38,301	-	38,301	-
	10,372,841	-	10,372,841	-
Financial liabilities measured at fair value				
Derivative financial liabilities	65,930	-	65,930	-
Financial liabilities not measured at fair value				
Deposits from banks	180,064	-	180,064	-
Deposits from customers	9,774,293	-	9,774,293	-
Other liabilities including Lease liabilities	49,760	-	49,760	-
	10,004,117	-	10,004,117	-

During the year ended 31st December 2021, the value of investment securities whose measurement was determined by other valuation techniques (level 3 measurement) increased by US\$3.9 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. The fair

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

20 Risk management (continued)

i) Fair value hierarchy (continued)

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 2021 and 31st December 2020. Similarly, no transfers between level 1 and level 2 measurement classifications were made during the years ended 31st December 2021 and 31st December 2020.

j) Sustainability

The Bank seeks to build in sustainability to all aspects of its business from the products and services we offer to how we go about conducting our business operations.

Summary initiatives taken in 2021

- In 2021 we launched our GIB AIM Sustainable World Fund. The fund will be classified as a Sustainable Finance Disclosure Regulation Article 9, the highest standard in terms of sustainability,
- GIB Asset Management was a founding signatory to the Net Zero Asset Managers Initiative.
- GIB UK is a signatory to several other sustainability-focused initiatives, including the Principles for Responsible Investments and the Principles for Responsible Banking.

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 2021			As at 31 December 2020		
	Contract or underlying principal amount	Fair value positive	Fair value negative	Contract or underlying principal amount	Fair value positive	Fair value negative
	US\$ Mn	US\$ Mn	US\$ Mn	US\$ Mn	US\$ Mn	US\$ Mn
Trading						
Exchange rate contracts	6,105	22	(44)	2,367	13	(49)
Non-trading						
Interest rate contracts	455	-	(7)	4,820	3	(17)
Futures	54		(4)	27		(0)
Total	6,614	22	(55)	7,214	16	(66)

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

21 Derivatives and foreign exchange instruments (continued)

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

	31.12.2021		31.12.2020	
	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	5,804	14	6,756	13
2 and 3 years	765	8	432	3
4 and 5 years	45	-	26	0
Total	6,614	22	7,214	16

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

As at 31 December 2020		Carrying amount	Accumulated fair value adjustment
		US\$ mn	US\$ mn
Assets			
Investment securities	A	173	(7)
Bank placements	B	2,222	(6)
Liabilities			
Customer deposits	C	2425	(0)
		4,820	(14)

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

Gulf International Bank (UK) Limited (Company number 1223938)**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 2021	Notional Amount	Assets	Liabilities
	US\$ mn	US\$ mn	US\$ mn
Interest rate contracts	455	-	(7)
Total	455	-	(7)

Included within these notional amounts are hedging instruments which reference interest rate benchmarks for fair value hedges of \$XXmillion, to which the reliefs described in Note 20g above have been applied. For the remaining hedging instruments, the hedged exposures are expected to mature prior to the date of reform.

As at 31 December 2020	Notional Amount	Assets	Liabilities
	US\$ mn	US\$ mn	US\$ mn
Interest rate contracts	4,820	-	(14)
Total	4,820	-	(14)

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:

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

21 Derivatives and foreign exchange instruments (continued)

31 December 2021

Hedged items	Hedging instruments
Investment securities	Interest rate contracts
Bank placements	Interest rate contracts
Customer deposits	Interest rate contracts

Gain / (losses) attributable to hedged risk		Hedge ineffectiveness
Hedged item	Hedging instrument	
US\$ mn	US\$ mn	US\$ mn
(1.20)	1.2	-
(5.49)	5.5	-
-	-	-
(6.7)	6.7	0.0

31 December 2020

Hedged items	Hedging instruments
Investment securities	Interest rate contracts
Bank placements	Interest rate contracts
Customer deposits	Interest rate contracts

Gain / (losses) attributable to hedged risk		Hedge ineffectiveness
Hedged item	Hedging instrument	
US\$ mn	US\$ mn	US\$ mn
2.7	(2.7)	-
5.2	(5.2)	-
(0.1)	0.1	-
7.7	(7.7)	0.0

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

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

As at 31 December 2020					
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	1,939	430	26	0	2,395
Fixed rate liability products	2,425	-	-	-	2,425
	4,364	430	26	0	4,820

Gulf International Bank (UK) Limited (Company number 1223938)**21 Derivatives and foreign exchange instruments (continued)****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.

In \$ million	31 December 2021		31 December 2020	
	Nominal amount	Average maturity	Nominal amount	Average maturity
	US\$ mn		US\$ mn	
<u>Interest rate contracts</u>				
Libor USD (3 months)	114	2.33	46	3.28

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

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 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	1,721	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 ROA and other assets	12	-	-	-	78	90
Total assets	7,412	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 including Lease liabilities & Tax	19	5	7	2	24	57
Shareholder funds	-	-	-	-	407	407
Total liabilities & shareholder equity	6,366	3,770	7	2	431	10,576

	As at 31 December 2020					
	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	5,069	-	-	-	-	5,069
Placements with banks	2,497	2,122	0	369	-	4,988
Debt securities at amortised cost	27	30.2	192.7	27.4	0	277
FVTPL-Trading securities	33	-	-	-	-	33
Derivatives	5	8	2	-	-	16
Property, equipment and other assets	28	4	4	5	39	80
Total assets	7,659	2,164	200	401	39	10,463
Deposits from banks	180	-	-	-	-	180
Deposits from customers	9,092	606	77	-	-	9,774
Derivatives	44	13	8	1	-	66
Other liabilities	14	0	7	7	22	50
Shareholder funds	-	-	-	-	393	393
Total liabilities & shareholder equity	9,330	619	91	8	415	10,463

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.

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

23. Contingent liabilities

There is no outstanding contingent liabilities as at the year-end 31 December 2021 (2020: Nil)

24. Related party transactions

Directors' emoluments

Aggregate emoluments

Highest paid director

Aggregate emoluments

	31.12.2021	31.12.2020
US\$ Thousands	US\$ Thousands	US\$ Thousands
	2,571	2,309
	1,288	1,400

Key management personnel compensation

Salaries and other short-term benefits

	31.12.2021	31.12.2020
US\$ Thousands	US\$ Thousands	US\$ Thousands
	6,617	5,446
	6,617	5,446

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 2021 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:

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

24 Related party transactions (continued)

	31.12.2021	31.12.2021	31.12.2020	31.12.2020
	US\$ Thousands	US\$ Thousands	US\$ Thousands	US\$ Thousands
	Immediate Parent	Subsidiaries	Immediate Parent	Subsidiaries
Statement of financial position				
Placements with banks	200,000		790,612	
Deposits from customers	-			376
Other assets	70		8,944	
Deposits from banks	-		159,194	
Other liabilities	4,325		4,329	977
Statement of comprehensive income				
Interest income	5,163		11,736	
Interest expense	(191)		(428)	
Intercompany recharges (net)	(2,774)		(2,772)	

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 2021 was \$11.2bn (2020: \$12.9bn)

26. Other operating Income /(loss)

	31.12.2021	31.12.2020
	US\$ Thousands	US\$ Thousands
Foreign exchange gain/(loss) on lease liability	-	(2,834)
Provision on overseas tax (Note 8)	(96)	(2,978)
Gain on sale of investment securities	597	-
Other	-	9
	491	(5,803)

* 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.

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

27 Investment in Group entities (continued)

Group entities

Subsidiaries

Name	Location	Principal Activity	Ownership interest %	
			2021	2020
GIB (UK) Nominees Ltd.	UK	Dissolved	-	100
GIB (UK) Alternative Investment Management Ltd	UK	Dissolved	-	100
SIB Portfolio Advisors Inc.	USA	Investment Advisor	100	100

Shares in group undertakings

	31.12.2021	31.12.2020
GIB (UK) Nominees Limited	-	1
GIB (UK) Alternative Investment Management Limited	-	340
	-	341

The equity investments in all other Group undertakings have a zero value.

* registered address: First Floor, One Curzon Street London, W1J 5HD

** 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:-

	2021	2020
	Fair value	Fair value
	US\$ Thousands	US\$ Thousands
- GIB AIM Sustainable World Fund	27,349	-
- Global Trade Finance Opportunities Fund Limited	2,013	5,903
Total investment in investment companies	29,362	5,903

These investments are 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). GIB (UK) has concluded that this fund is neither a subsidiary nor an associate and is therefore carried at fair value through profit and loss,

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 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 \$4.7mn (2020: \$13.9mn). GIB (UK) has concluded that this fund is neither a subsidiary nor an associate and is therefore carried at fair value through profit and loss.

Gulf International Bank (UK) Limited (Company number 1223938)**29 Investment in investment companies (continued)**

The Bank's holdings are as follows:

	Launch date	2021	2020
GIB AM Sustainable World Fund	September 2021	100.0%	0.0%
Global Trade Finance Opportunities Fund Limited	July 2017	40.70%	42.4%

***registered address: 2nd Floor 2 Custom house plaza, harbourmaster place, IFSC Dublin. D01 V9V4 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.