Gulf International Bank – Saudi Arabia

BASEL 3 PILLAR 3 DISCLOSURES

As at 31st December 2020

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1. KM1: Key metrics

	SAR 000's	a 31-Dec-2020	b 30-Sep-2020	c 30-Jun-2020	d 31-Mar-2020	e 31-Dec-2019
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	7,059,153	7,271,211	7,340,018	7,328,852	7,506,879
1a	Fully loaded ECL accounting model					
2	Tier 1	7,059,153	7,271,211	7,340,018	7,328,852	7,506,879
2a	Fully loaded ECL accounting model Tier 1					
3	Total capital	7,243,890	7,479,975	7,544,770	7,516,971	7,637,509
3a	Fully loaded ECL accounting model total capital					
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	27,356,337	27,431,880	25,957,555	26,554,428	25,603,376
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	25.8%	26.5%	28.3%	27.6%	29.3%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)					
6	Tier 1 ratio (%)	25.8%	26.5%	28.3%	27.6%	29.3%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)					
7	Total capital ratio (%)	26.5%	27.3%	29.1%	28.3%	29.8%
7a	Fully loaded ECL accounting model total capital ratio (%)					
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical buffer requirement (%)	0.1%	0.0%	0.1%	0.2%	0.2%
10	Bank G-SIB and/or D-SIB additional requirements (%)					
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	2.6%	2.5%	2.6%	2.7%	2.7%
12	CET1 available after meeting the bank's minimum capital requirements (%)	15.2%	16.0%	17.7%	16.9%	18.6%
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	39,578,953	36,399,501	36,659,221	38,140,430	36,926,376
14	Basel III leverage ratio (%) (row 2 / row 13)	17.8%	20.0%	20.0%	19.2%	20.3%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)					
	Liquidity Coverage Ratio					
15	Total HQLA	10,953,781	7,823,272	9,540,145	10,065,578	10,090,462
16	Total net cash outflow	5,311,704	3,755,417	4,699,361	2,859,857	3,965,805
17	LCR ratio (%)	206.2%	208.3%	203.0%	351.9%	254.4%
	Net Stable Funding Ratio					
18	Total available stable funding	20,479,075	19,812,255	19,917,312	21,138,369	20,619,425
19	Total required stable funding	13,564,882	12,935,729	12,154,483	12,070,230	12,194,922
20	NSFR ratio	150.9%	153.1%	163.8%	175.1%	168.8%

2. OVA - Bank risk management approach

a) Business model and risk profile

The activities of the Gulf International Bank- Saudi Arabia (the Bank) were initially carried out as a foreign branch of Gulf International Bank B.S.C., a Bahraini shareholding company incorporated in the Kingdom of Bahrain.
Effective from 27 Rajab 1440 (corresponding to 3rd April 2019), the foreign branch was converted to a Saudi Closed Joint Stock Company with the same commercial registration number (2052001920).

The Bank is principally engaged in the provision of wholesale, commercial and retail banking services. The Bank also provides customers with non-interest based banking products which are approved and supervised by an independent Shariah Board. The Bank is organized into following main operating segments:

- Wholesale banking: the provision of wholesale commercial financing and other credit facilities for corporate and institutional customers.
- Treasury: the provision of a broad range of treasury and capital market products and services to corporate and financial institution clients, money market, proprietary investment and trading activities and the management of the Bank's balance sheet, including funding.
- Consumer Banking: the provision of retail banking services.

The Bank adopts a holistic view of risks by understanding risks on an enterprise wide basis analysed through a top-down (risk aggregation) and a bottom-up (risk decomposition) approach. Risk aggregation takes a portfolio view of risks aggregated across the Bank's business units taking due consideration of the portfolio effects and correlation of risks prior to determination of the management approach to each single risk. This approach provides guidance to allow balancing risk and reward optimally. Moreover, Risk decomposition ensures a comprehensive identification and prioritisation of all material risks and the definition and implementation of risk policies and processes that control daily decision making throughout the Bank. This approach enables employees to make the right risk-return trade-offs in day-to-day activities.

Overall risk management strategy approved by the Board of Directors (BOD) is based on the following three pillars:
Risk governance: defines the roles and responsibilities with respect to interaction among different stakeholders in the Bank;
Risk policies: include a range of policies encompassing all risk-taking businesses, which are updated and reviewed regularly. These policies ensure institutionalization of rules and conduct, delegation of authorities and decision rights, risk appetite and internal capital adequacy assessment and plan in accordance with applicable regulatory requirements; and

Risk practices: maintain an up to date risk register, carry regular portfolio reviews and ensure various Board and senior management level risk reporting.

b) The Risk Governance structure

The Bank has established a robust risk governance structure within the Bank's Risk Strategy to ensure that all material risks are managed and mitigated. The Bank maintains a prudent and disciplined approach to risk taking by upholding a well thought out Risk Appetite Statement, comprehensive set of risk management policies and processes which involve professionally qualified risk personnel with appropriate skills. Below are the principal elements of the Bank's risk governance structure:

i. The Board of Directors (BoD) are responsible for the strategic direction of the Bank and for oversight of the bank's affairs including identifying, assessing, communicating and monitoring risks on an enterprise-wide basis, while striking a balance between the risk appetite and the business strategy of the Bank in line with the industry best practice and regulatory expectations;
ii. The BoD delegates some of its supervisory responsibilities to the Board Risk Policy Committee (BRPC) which assist the BoD in reviewing the risk profile of the Bank, establishing the Risk Management Framework and relevant controls, reviewing the risk appetite, policies, and overall limits and parameters within which the Bank conducts its business;

iii. At management level, the Bank has a dedicated Risk Management function independent of business units headed by the CRO, who reports to the CEO and is a member of the following committees:
   - The Management Committee (MC), chaired by the Chief Executive Officer (CEO), which has the primary responsibility for sanctioning risk taking policies and activities within the tolerance defined by the Board;
   - The Saudi Risk Management Committee (SRMC), chaired by the Chief Risk Officer (CRO), the Assets and Liabilities Committee (ALCO) chaired by the Chief Financial Officer (CFO), and the Operational Risk Committee (ORC) chaired by the CRO which assist the CEO in risk management oversight; and
   - The Credit Committee which is responsible for approving credit applications within their delegated limits; and
   - The Investment Committee which is responsible for reviewing the investment portfolio and approving potential investment opportunities applications within their delegated limits;

iv. From a control perspective, the process of risk management is facilitated through a set of independent functions i.e. Risk Management (Wholesale Credit Risk Management, Retail Risk Management, Operational Risk Management, and Information Security, Enterprise Risk Management & Analytics and Economics Units) and Balance Sheet Management (Liquidity Risk Management and Market Risk Management).

Wholesale Credit Risk Management is responsible for the active management of the Bank's Wholesale credit risk exposure and the monitoring of it in accordance with a well-defined credit risk appetite, limits and parameters. The Bank bases its decisions for an individual counterparty on a thorough analysis that includes considerations for Bank's exposure to that counterparty.

Retail Risk Management is responsible for the development and maintenance of an effective partnership with Retail Banking to ensure proper implementation of the Retail Credit Risk Policies including granting, rating, monitoring and collection policies. In doing so, the function ensures that the Bank's retail banking credit portfolio quality stays within the risk appetite of the Bank as well as complies with internal and regulatory Risk Compliance of product programs.

Operational Risk Management plays on-going active role in identifying, assessing, prioritising, managing and mitigating operational risk within the Bank in line with the Operational Risk Framework under the oversight of the Operational Risk Committee.

Information Security strives to safeguard the Bank against internal and external threats to its assets, intellectual property, computer systems, data and equipment through protecting the Bank's information assets for internal and external threats, whether deliberate or accidental, ensuring compliance with regulatory and industry standards and providing support for Disaster Recovery and Business Continuity.

Enterprise Risk Management and Analytics is responsible for maintaining the Bank's risk management policies, stress testing, framework and methodologies, providing input into setting the risk appetite of the Bank as well as monitoring adherence to internal limits/ triggers and compliance with ratios as instructed by regulators, in addition to maintaining alignment with the Bank's Risk Appetite.

Economics is an integral part of the risk governance structure as it is responsible for an effective risk management tool that feeds into shaping the Bank's overall portfolio. The function conducts reviews of industry segments and countries and provides input into the concentration limits by utilising recent economic data and industry reports available in the public domain and/or issued by external rating or other agencies.

Balance Sheet Management ensures compliance with regulatory standards for capital management and market and liquidity risk by managing the implementation of the capital planning, capital management and capital allocation process, monitoring market risks, maintaining liquidity management and contingency funding strategies to ensure continued viability and funding of the Bank in a time of crisis in line with the limits set in the risk appetite, given GIB's profile of retail and wholesale deposits.

c) Channels to communicate, decline and enforce the risk culture

Effective Risk Management involves the strategic implementation of a clearly defined three lines of defence risk management framework in accordance with generally accepted best practices. This practice promotes risk culture and facilitates risk communication channels between Business and control functions. The three lines are as follows:

First Line of Defence: Business units - take risks and are responsible and accountable for their ongoing management. This includes identifying, assessing and reporting exposures taking into account risk appetite and Bank policies and controls;

Second Line of Defence: Oversight functions - includes independent risk management processes which monitor, report and oversee the business lines risk taking activities, assessing risks critically rather than purely carrying out a surveillance function. The second line also includes a compliance function which is independent of business lines and has direct access to the Board Audit Committee. The second line of defence also promotes a sound culture of risk management and compliance by supporting and training managers and employees in different areas of the business; and

Third Line of Defence: Independent Assurance - consists of an independent internal audit assurance function which is not involved in developing, implementing or operating the risk management framework. Its independence is enhanced by the fact that it reports to the Board Audit Committee.

The Bank's BoD and Management view risk culture as a critical component of the Bank's Enterprise-Wide Risk Management Framework. The Bank's corporate governance, risk management approach, compliance standards, policies and procedures, training activities, performance measures, and human resource management systems are critical to successfully embedding a sound risk culture within the Bank.
The key drivers for embedding risk culture within GIB include the following:

- Strong leadership, commitment and engagement across the organisation;
- Common understanding of the Risk Strategy, a well-defined Risk Appetite to set the boundaries for decision making;
- Strong communication among businesses, senior management and the BoD;
- Strong and independent Risk Management function;
- Incentives and disincentives for adhering to/ violating risk management processes and policies;
- Employee compensation aligned to take account of the Bank's risk-weighted performance; and
- Realistic and well understood performance targets.

d) The scope and main features of risk measurement systems

The Bank has implemented systems, processes, policies and methodologies allowing for timely and effective assessment and mitigation of potential risks. This aims to provide enterprise-wide Risk Management data in a consistent and timely manner.

Risk Capital

The Bank focuses on maintaining a strong capital base, in particular Tier 1 capital, as it represents the core capital. Strong capital base is vital to maintain investor, creditor and market confidence in the Bank's solvency and financial strength, maintain a sound external credit rating that is critical for the Bank's access to liquidity and for pricing of its long-term funding; and sustain the future development of the business.

The Bank manages its capital structure and makes adjustments to it taking account of changes in the macro-economic conditions and strategic business plans while basing the capital requirements on the Bank's risk profile. The key risks comprise of

a) Pillar 1 risks including credit risk, market risk and operational risk;
b) Risks not fully covered under Pillar 1 including residual risk arising from the use of credit risk mitigation and securitisation;
c) Pillar 2 risks including concentration risk, interest rate risk in the banking book, liquidity risk, strategic risk and reputation risk; and
d) Risk factors external to the Bank including risks which may arise from the regulatory, economic or business environment and which are not included in the above-mentioned risks.

Different methodologies are utilised to estimate the capital in line with industry best practices.

The Internal Capital Adequacy Assessment Process (ICAAP) incorporates a review and evaluation of risk management and capital relative to the risks to which the bank is exposed. The Bank's capital assessment has been developed around its economic capital framework which is designed to ensure that the bank has sufficient capital resources available to meet regulatory and internal capital requirements, even during periods of economic or financial stress. The capital assessment addresses all components of The Bank's risk management, from the daily management of more material risks to the strategic capital management of the Group.

In addition, in an attempt to integrate risk and business strategy, Risk adjusted return on capital (RAROC) is used as a measure to gauge how effectively a transaction or business unit is able to use capital to cover risk. The main functions of RAROC in the Bank is to measure the profitability of business units, transactions and customers on a risk adjusted basis, serve as a tool to compare the profitability of business segments on a like-for-like basis and thereby helps Management decide how much capital should be allocated to each business and aid in precise pricing of products and improves consistency in lending decisions.

Risk rating and Scoring Models

The Bank 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 the maintenance of 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.

The internal credit rating system is used throughout the organisation and is inherent in all business decisions relating to the extension of credit. A rating is an estimate that exclusively reflects the quantification of the repayment capacity of the customer, i.e. the risk of customer default. The internal credit rating system also serves as a key input into the Bank's Risk-Adjusted Return on Capital (RAROC) performance measurement system. Ratings reflect a one-year time horizon, thereby requiring each customer to be reviewed and re-rated each year as part of the annual review cycle.

Value at Risk (VaR)

A key element in the Bank's market risk management framework is the estimation of potential future losses that may arise from adverse market movements. The Bank utilises Value-at-Risk (VaR) to estimate such losses. The VaR is derived from quantitative models that use statistical and simulation methods that take account of all market rates and prices that may cause a change in a position's value. These include interest rates, foreign exchange rates and equity prices, their respective volatilities and the correlations between these variables.

The VaR takes account of potential diversification benefits of different positions both within and across different portfolios. Consistent with general market practice, VaR is computed for all financial instruments for which there are readily available daily prices or suitable proxies. VaR is viewed as an effective risk management tool and a valuable addition to the non-statistically based limit structure. It permits a consistent and uniform measurement of market risk across all applicable products and activities. Exposures are monitored against a range of limits both by risk category and portfolio and are regularly reported to and reviewed by senior management and the Board of Directors.

Operational Risk Management Framework

Qualitative and quantitative methodologies and tools are used to identify and assess operational risk and to provide management with information for determining appropriate mitigating factors. These tools include a database of operational risk events categorised according to business lines and operational risk event types; a record of key risk indicators, which can provide an early warning of possible risk; and a risk and control assessment process to analyse business activities and identify operational risks related to those activities. The management of operational risk has a key objective of minimising the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering a large extreme (unexpected) loss. The operational Risk Management Framework is managed through a workflow system (Risk Nucleus) that ensures that all major operational Risks / losses are appropriately assessed and managed or analysed for further escalation.

e) Process of Risk information reporting provided to the Board and Senior Management

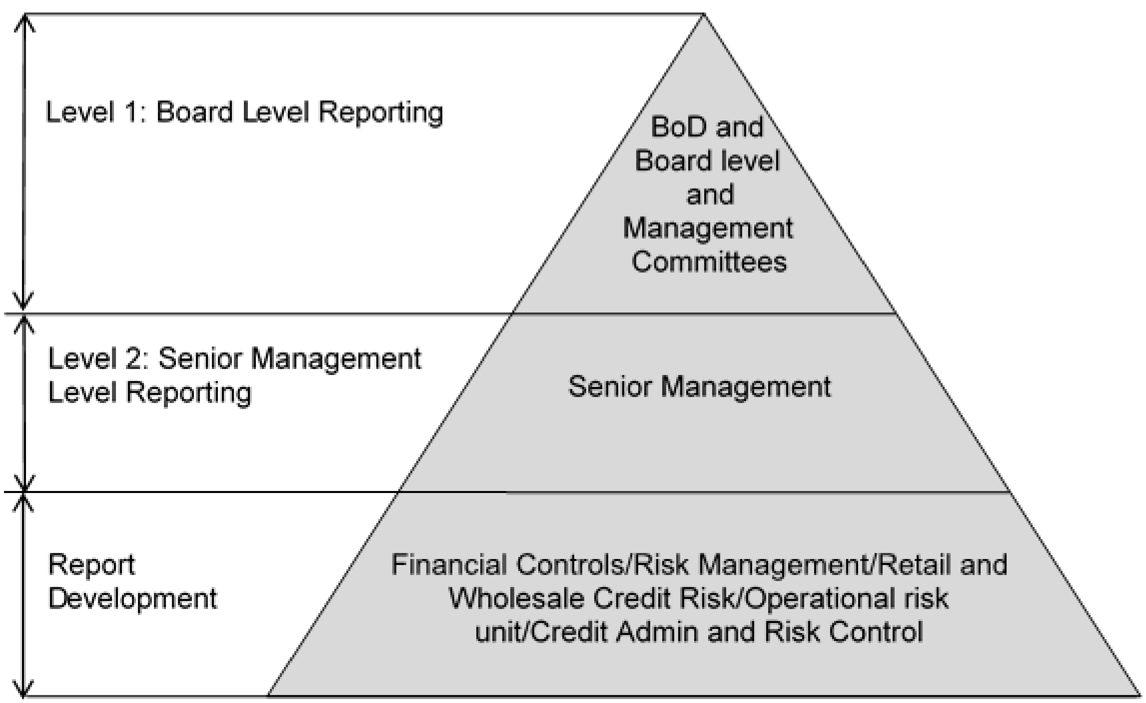
The Bank has developed Management Information (MIS or reports) to facilitate risk awareness and support effective monitoring and decision-making at all levels of the Bank. The MIS helps the Bank's Management to focus on identification of risk issues, develop mitigation plans and monitor to the progress of corrective actions.

Relevant functions within the Bank produce risk MIS with the support of business or other support units (in terms of providing the necessary data inputs, loss information, results of their risk assessments etc.) for all material risk exposures to enable informed business decision making. In particular, the risk MIS aim to:

- Increase awareness of key risks across the Bank and improve adequacy of underlying control measures;
- Provide early-warning alert mechanisms to ensure that management is made aware of key risk areas of focus;
- Enable management to assess performance against policies, business plans and risk appetite by business, product types etc., including risk-reward considerations; and
- Reinforce GIB's strategic goals through the acceptance of risks consistent with its risk appetite.

The risk MIS are then presented at the following two reporting levels at the Bank:

a) Level 1 reporting to the BoD and its committees; and
b) Level 2 reporting to the Bank's Senior Management.



Quarterly Risk Reports are submitted to the Board and the Senior Management encompassing updates on credit exposure by country, credit rating and industry / concentration, liquidity and market risk positions (VaR), operational risk, information security, strategic risks as well as reports on changes to credit approvals or extension processes, credit risk measurement, market risk measurement and risk control measures. The reports provide an overview to ensure that the Bank has an effective risk management framework in place and that all risk controls operating throughout the Bank are in accordance with the regulatory requirements and best practice standards for management of risks in banks.

Risk Appetite monitoring is a critical part of the quarterly reporting to the Board and Senior Management. The Bank and its Board of Directors are committed to manage all material risks to which the Bank is exposed specific to its business model / strategy. The Bank has in place a clearly defined Risk Appetite Policy and a Risk Appetite Statement supporting the Policy. This Policy sets the boundaries to be used in assisting the Bank in the decision-making process and managing the existing risks. Risk

Management Monitors Risk Appetite Metrics using Risk reports and Risk Dashboards. In addition to reporting to the Board and senior management, in case of breach in Regulatory Risk Appetite metrics, the Bank has process in place to take immediate steps to follow the thresholds stipulated by SAMA, by virtue of formulating an action plan and communicating the same to SAMA.

The **Integrated Stress Testing** framework is linked to the Risk Appetite and forms an integral part of the monitoring and review process. In addition, the Stress Test results are reviewed in light of the Risk Appetite and tolerance levels. Results are presented to the Board for information and the endorsement of any required corrective action.

f) Qualitative information on stress testing

The Bank has in place an integrated stress testing (IST) framework that assists the Bank in gaining an enhanced understanding of the potential stress impact of material risks and to assist in the development and identification of appropriate actions to improve sustainability and profitability given the Bank's exposure to such risks. This IST exercise is aligned to the Bank's overall risk profile and risk strategy.

The purpose of the Bank's IST is to achieve the following goals:

- Develop stress testing framework which is both, plausible and reasonable:
  - The scenarios are applicable to the Bank and the market in which it operates;
  - The results assist the Bank's Senior Management and the Board to develop the Bank's strategy in response to idiosyncratic stress events or potential adverse changes in the economic and regulatory environment;
  - The scenarios reflect coverage of all material risk across the Bank;
  - Secondary effects of stress scenarios are considered; for instance, the Bank considers how the impact of one stress event (i.e. Reputational Risk) may result in other risk areas (i.e. Liquidity Risk); and
  - The results of stress tests provide a consolidated view of the overall stress testing impact at a Bank-wide level.
- IST framework is closely aligned with the Bank's risk management framework including Internal Capital Adequacy Assessment Process (ICAAP) and Recovery Planning (RP);
- Perform dynamic stress testing with a forward-looking approach covering a minimum period of three years projections;
- Cover both quantitative and qualitative aspects of the potential risks that the Bank foresees:
  - Scenarios built on a logical narrative that describes how and why the event has been assumed to occur; and
  - The financial impact of a stress scenario is calculated on Bank's income statement and balance sheet along with reasonable interpretation of results;

g) The strategies and processes to manage, hedge and mitigate risks

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future business development. The Bank manages its capital structure and makes adjustments to the structure taking account of changes in economic conditions and strategic business plans. The capital structure may be adjusted through the dividend payout or the issue of new shares.

Credit risk mitigation

The Bank uses a variety of credit risk mitigation techniques which contribute to risk diversification and credit protection. The different credit risk mitigation techniques such as collateral, guarantees, credit derivatives, netting agreements and covenants are used to reduce credit risk. Collateral items and guarantees which can be used for credit risk mitigation under the capital adequacy framework are referred to as eligible collateral. Only certain types of collateral and some issuers of guarantees are eligible for preferential risk weights for regulatory capital adequacy purposes.

Furthermore, the collateral management process and the terms in the collateral agreements have to fulfil the SAMA's prescribed minimum requirements (such as procedures for the monitoring of market values, insurance and legal certainty) set out in their capital adequacy regulations.

Moreover, The Bank's policy is to provide credit to its customers based on the strength of the customers' repayment capacity and not on the basis of the strength of the collateral. The Bank would take collateral and guarantees from third parties as a form of additional assurance to mitigate risks.

Market risk mitigation

The Bank adopts a Market Risk Management Framework to comply with the Market Risk Strategy that address the policies and guidelines for the key processes underlying the identification, assessment, measurement, monitoring reporting and control of market risk, including:

- Market risk planning and assessment to determine the nature and level of market risk exposure that the Bank is permitted to undertake in light of its strategy and risk appetite and maintains, among other things, a rigorous process of security selection and approval;
- Value-at-risk analysis to provide a comprehensive and consistent measure of the Bank's market risk exposure to adverse market movements;
- Limit management to monitor portfolio concentrations, size of open positions and maximum allowable losses that the Bank could face on those positions;
- Stress testing to assess and manage the risks associated with extreme market movements on the market values of the portfolios;
- Prudent valuation process to determine the mark-to-market or fair values of market risk related financial instruments and derivatives and maintain data quality;
- Pillar 1 and Pillar 2 treatment of market risk to assess and determine the Bank's capital needs in relation to its market risk profile
- Management of Interest rate risk in the Banking Book (IRRBB) that is consistent with the guidance provided by both the BCBS and SAMA, wherein the Bank's risk appetite for IRRBB shall be measured in terms of both Economic Value of Equity (EVE) and Earnings at Risk (EAR);
- Monitoring and comprehensive reporting for on-going management information on The Bank's market risk profile to the BoD and Senior Management.

Liquidity risk mitigation

The Bank 's Liquidity Risk Strategy forms a part of the Bank's overarching risk strategy which requires the Bank to provide oversight of liquidity management and contingent funding strategies to ensure the continued viability and funding of the Bank in a time of crisis and it aspires to:

a) Ensure funds are available in line with business expectations under both normal business conditions and extreme conditions caused by unforeseen events;
b) Manage liquidity prudently to meet both financial commitments and facilitate business expansion;
c) Maintain the flexibility to capitalize on market opportunities in normal business conditions;
d) Avoid raising funds at a premium over the market rate or through the forced sale of assets; and
e) Maintain a diversified deposit base avoiding undue dependence on maturity or depositor concentration.

In order to realize the Bank's Liquidity Risk Strategy, the below best practices are adopted:

a) **Liquidity Environment Analysis:** On-going monitoring of sources of liquidity risk in order to anticipate and identify any internal or external developments that could lead to a potential adverse liquidity event - Customer deposits form a significant part of the Bank's funding. The Bank places considerable importance on maintaining the stability of both its customer and interbank deposits. The stability of deposits depends on maintaining confidence in the Group's financial strength and financial transparency.;
b) **Liquidity Forecasting:** Projecting the liquidity profile of the Bank in order to identify future funding needs and gaps;
c) **Liquidity Limits:** Adhering to regulatory requirements, as well as align to the Bank's internal limits, tolerances and risk appetite - The Bank has established approved limits which restrict the volume of liabilities maturing in the short-term. An independent risk management function monitors the future cash flow maturity profile against approved limits on a daily basis. The cash flows are monitored against limits applying to both daily and cumulative cash flows occurring over a 30 day period. The liquidity limits ensure that the net cash outflows over a 30 day period do not exceed the eligible stock of available liquid resources. The cash flow analysis is also monitored on a monthly basis by the Assets and Liabilities Committee (ALCO).;
d) **Liquid Reserves:** Maintaining highly marketable assets that can easily be converted to cash in the event of any unforeseen interruption in cash flows;
e) **Stress Testing:** Conducting stress testing to measure the effect of abnormal market conditions on the liquidity profile of the Bank; and
f) **Contingency Planning:** Specifying immediate actions for obtaining replacement funding and alternative funding resources in order to be able to generate sufficient liquidity under critical conditions - These plans identify early

indicators of stress conditions and prescribe the actions to be taken in the event of a systemic or other crisis, while minimising adverse long-term implications for the Group’s business activities.

3. OV1 - Overview of RWA

	SAR 000's	(a)		(c)
		RWA		Minimum capital requirements
		31 Dec 2020	30 Sep 2020	31 Dec 2020
1	Credit risk (excluding counterparty credit risk)	25,461,430	25,528,535	2,036,914
2	Of which: standardised approach (SA)	25,461,430	25,528,535	2,036,914
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	Counterparty credit risk (CCR)	283,044	319,232	22,644
7	Of which: standardised approach for counterparty credit risk	283,044	319,232	22,644
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)	133,088	167,775	10,647
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach			
15	Settlement risk			
16	Securitisation exposures in banking book			
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	Market risk	527,184	464,747	42,175
21	Of which: standardised approach (SA)	527,184	464,747	42,175
22	Of which: internal model approaches (IMA)			
23	Capital charge for switch between trading book and banking book			
24	Operational risk	951,591	951,591	76,127
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment	0	0	0
27	**Total** (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)	27,356,337	27,431,880	2,188,507

Point to note:

(i) Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.

4. LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

31 December 2020	a	b	c	d	e	f	g
			Carrying values of items:				
SAR 000's	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with the Saudi Arabian Monetary Authority (SAMA)	8,924,059	8,924,059	8,924,059				
Due from banks and other financial institutions	1,267,331	1,267,331	1,267,331				
Investments, net	3,161,053	3,161,768	2,937,303			224,465	
Positive fair value of derivative financial instruments	284,991	284,991		284,991			
Loans and advances, net	18,761,718	18,945,740	18,945,740				
Property and equipment, net	65,820	65,820	65,820				
Intangible assets, net	47,036	47,036	47,036				
Right-of-use assets	217,943	217,943	217,943				
Other assets	152,420	152,420	152,420				
Total assets	**32,882,371**	**33,067,108**	**32,557,652**	**284,991**		**224,465**	
Liabilities							
Due to banks and other financial institutions	2,320,715						2,320,715
Customers' deposits	22,368,371						22,368,371
Negative fair value of derivative financial instruments	324,578						324,578
Lease liabilities	213,278						213,278
Other liabilities	596,276						596,276
Total liabilities	25,823,218						25,823,218

5. LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	31 December 2020 SAR 000's	a	b	c	d	e
		Total	Items subject to:			
			Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	33,067,108	32,557,652		284,991	224,465
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	0				
3	Total net amount under regulatory scope of consolidation	33,067,108	32,557,652		284,991	224,465
4	Off-balance sheet amounts	36,250,993	35,937,175		313,818	
5	Differences due to Credit Conversion Factor (CCF)	(29,453,755)	(29,453,755)			
6						
7						
8						
9						
10	**Exposure amounts considered for regulatory purposes**	**39,864,346**	**39,041,072**	**0**	**598,809**	**224,465**

6. LIA: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

There is no significant difference between carrying value as reported in published financial statements and regulatory exposure amounts.

On-Balance sheet exposure is different from published financial statements with respect to IFRS ECL provisions, it is treated as part of Tier II capital for capital adequacy purposes while it is netted against the asset in the published financial statements. In case of off-Balance sheet, total carrying amount is used in published financial statements while the credit equivalent amounts (after applying conversion factors) are used for regulatory capital adequacy purposes.

7. CC1: Composition of regulatory capital

	31 December 2020 SAR 000's	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	7,500,000	
2	Retained earnings	(433,618)	
3	Accumulated other comprehensive income (and other reserves)	(7,229)	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	7,059,153	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudent valuation adjustments		
8	Goodwill (net of related tax liability)		(a) minus (d)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)		(b) minus (e)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)		
11	Cash flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework25)		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined benefit pension fund net assets		
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		(c) minus (f) minus 10% threshold
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	Of which: significant investments in the common stock of financials		
24	Of which: mortgage servicing rights		
25	Of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	Total regulatory adjustments to Common Equity Tier 1		
29	Common Equity Tier 1 capital (CET1)	7,059,153	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying additional Tier 1 instruments plus related stock surplus		
31	Of which: classified as equity under applicable accounting standards		
32	Of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase-out from additional Tier 1		
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	Of which: instruments issued by subsidiaries subject to phase-out		
36	Additional Tier 1 capital before regulatory adjustments		

	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments		
38	Reciprocal cross-holdings in additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation		
41	National specific regulatory adjustments		
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	Total regulatory adjustments to additional Tier 1 capital		
44	Additional Tier 1 capital (AT1)		
45	Tier 1 capital (T1 = CET1 + AT1)	7,059,153	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus		
47	Directly issued capital instruments subject to phase-out from Tier 2		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		
49	Of which: instruments issued by subsidiaries subject to phase-out		
50	Provisions	184,737	
51	**Tier 2 capital before regulatory adjustments**	184,737	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments		
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities		
54	Investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)		
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
56	National specific regulatory adjustments		
57	Total regulatory adjustments to Tier 2 capital		
58	Tier 2 capital (T2)	184,737	
59	Total regulatory capital (TC = T1 + T2)	7,243,890	
60	Total risk-weighted assets	27,356,337	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	25.8%	
62	Tier 1 (as a percentage of risk-weighted assets)	25.8%	
63	Total capital (as a percentage of risk-weighted assets)	26.5%	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	2.6%	
65	Of which: capital conservation buffer requirement	2.5%	
66	Of which: bank-specific countercyclical buffer requirement	0.1%	
67	Of which: higher loss absorbency requirement		
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	15.2%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)		
70	National Tier 1 minimum ratio (if different from Basel III minimum)		
71	National total capital minimum ratio (if different from Basel III minimum)		
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities		

73	Significant investments in the common stock of financial entities		
74	Mortgage servicing rights (net of related tax liability)		
75	Deferred tax assets arising from temporary differences (net of related tax liability)		
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	184,737	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	341,954	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)		
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach		
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase-out arrangements		
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements		
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		
84	Current cap on T2 instruments subject to phase-out arrangements		
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		

8. CC2 – Reconciliation of regulatory capital to balance sheet

	a	b	c
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	As at 31 Dec 2020	As at 31 Dec 2020	
Assets			
Cash and balances with the Saudi Arabian Monetary Authority (SAMA)	8,924,059	8,924,059	
Due from banks and other financial institutions	1,267,331	1,267,331	
Investments, net	3,161,053	3,161,768	
Positive fair value of derivative financial instruments	284,991	284,991	
Loans and advances, net	18,761,718	18,945,740	
Property and equipment, net	65,820	65,820	
Intangible assets, net	47,036	47,036	
Right-of-use assets	217,943	217,943	
Other assets	152,420	152,420	
Total assets	**32,882,371**	**33,067,108**	
Liabilities			
Due to banks and other financial institutions	2,320,715	2,320,715	
Customers' deposits	22,368,371	22,368,371	
Negative fair value of derivative financial instruments	324,578	324,578	
Lease liabilities	213,278	213,278	
Other liabilities	596,276	596,276	
Total liabilities	**25,823,218**	**25,823,218**	
Shareholders' equity			
Share capital	7,500,000	7,500,000	
	1,753	1,753	
Fair value reserve	(8,982)	(8,982)	
Retained earnings	(433,618)	(433,618)	
Tier II Capital		184,737	
Total shareholders' equity	**32,882,371**	**33,067,108**	

9. CCA: Main features of regulatory capital instruments and of other TLAC-eligible instruments

		a
		Quantitative / qualitative information
1	Issuer	Gulf International Bank - Saudi Arabia
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	NA
3	Governing law(s) of the instrument	Kingdom of Saudi Arabia Laws
3a	Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments governed by foreign law)	NA
4	Transitional Basel III rules	NA
5	Post-transitional Basel III rules	NA
6	Eligible at solo/group/group and solo	Group
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	7,500,000
9	Par value of instrument	10
10	Accounting classification	Equity
11	Original date of issuance	3-Apr-19
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	NA
15	Optional call date, contingent call dates and redemption amount	NA
16	Subsequent call dates, if applicable	NA
	Coupons / dividends	
17	Fixed or floating dividend/coupon	NA
18	Coupon rate and any related index	NA
19	Existence of a dividend stopper	NA
20	Fully discretionary, partially discretionary or mandatory	NA
21	Existence of step-up or other incentive to redeem	NA
22	Non-cumulative or cumulative	NA
23	Convertible or non-convertible	NA
24	If convertible, conversion trigger(s)	NA
25	If convertible, fully or partially	NA
26	If convertible, conversion rate	NA
27	If convertible, mandatory or optional conversion	NA
28	If convertible, specify instrument type convertible into	NA
29	If convertible, specify issuer of instrument it converts into	NA
30	Writedown feature	NA
31	If writedown, writedown trigger(s)	NA
32	If writedown, full or partial	NA
33	If writedown, permanent or temporary	NA
34	If temporary write-own, description of writeup mechanism	NA
34a	Type of subordination	NA
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	NA
36	Non-compliant transitioned features	NA
37	If yes, specify non-compliant features	NA

10. CCyB1 – Geographical distribution of credit exposures used in the countercyclical capital buffer

SAR 000's	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical buffer amount
		Exposure values	Risk-weighted assets		
GCC & ME	2.50%	1,177,517	603,826		
Europe	1.00%	182,609	66,209		
South E. Asia	0.23%	963,034	881,409		
North America	0.00%	276,703	135,790		
Sum		2,599,863	1,687,234		
Total		39,639,881	25,917,045	0.1%	17,127

11. LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure

	SAR 000's	a
1	Total consolidated assets as per published financial statements	32,882,371
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	
4	Adjustments for temporary exemption of central bank reserves (if applicable)	
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	
7	Adjustments for eligible cash pooling transactions	
8	Adjustments for derivative financial instruments	28,425
9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off balance sheet exposures)	6,483,420
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	
12	Other adjustments	184,737
13	**Leverage ratio exposure measure**	**39,578,953**

12. LR2 - Leverage ratio common disclosure

	SAR 000's	a 31 Dec 2020
	On-balance sheet exposures	
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	32,781,715
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)**	**32,781,715**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	242,876
5	Add-on amounts for PFE associated with all derivatives transactions	70,942
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of rows 4 to 10)**	**313,818**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	CCR exposure for SFT assets	
15	Agent transaction exposures	
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**-**
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	35,937,175
18	(Adjustments for conversion to credit equivalent amounts)	(29,453,755)
19	**Off-balance sheet items (sum of rows 17 to 18)**	**6,483,420**
	Capital and total exposures	
20	**Tier 1 capital**	7,059,153
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**39,578,953**
	Leverage ratio	
25	Basel III leverage ratio	17.8%

13. LIQA - Liquidity Risk Management:

a) Governance of liquidity risk management, including: risk tolerance; structure and responsibilities for liquidity risk management; internal liquidity reporting; and communication of liquidity risk strategy, policies and practices across business lines and with the board of directors.

The Bank has a Board approved Liquidity Risk Management Policy (LRMP) that sets out the principles, minimum standards, risk appetite, approach and the key roles and responsibilities of the Board of Directors (BoD) and the Senior Management in relation to the liquidity risk management in the Bank. The BoD delegates some of its supervisory responsibilities to the Board Risk Policy Committee (BRPC) which assist the BoD in reviewing the risk profile of the Bank, establishing the Risk Management Framework and relevant controls, reviewing the risk appetite, policies, and overall limits and parameters within which the Bank conducts its business. The Assets and Liabilities Committee (ALCO) chaired by the Chief Financial Officer, and include Chief Risk Officer, Head of Corporate Banking, Head of Retail Banking, Head of Market and Liquidity Risk, and Head of Treasury as members. ALCO regularly monitors the liquidity risk profile of the Bank and periodically reviews information to understand and assess the liquidity risk exposure, including the composition, maturity characteristics and diversification of the liquidity resources.

Treasury has the overall responsibility for managing the status of liquidity on a day-to-day basis and meeting short-term cash flow and manage funding requirements within ALCO approved limits.

The Bank has identified the following risk appetite metrics to assist in measuring the liquidity risk exposure.

a) Liquidity Coverage Ratio: The measure of the Bank's short-term resilience in facing stressed conditions for a period of up to one month
b) Net Stable Funding Ratio: The measure of the Bank's long-term resilience in facing stressed conditions for periods beyond one year
c) Liquidity Gap Limits: Then Bank has established liquidity gap limits based on the projected balance sheet and behavioural assumptions
d) Survival Time Horizon: The period in which the Bank shall be able to survive without resorting to external funding based on cash flow assumptions approved by ALCO
e) Stress Testing: The Bank conducts stress testing on a frequent basis to assess the liquidity risk associated with stress events
f) Fund Raising Capacity from Liquidity Reserve: The Bank's ability to raise funding within a short period at an acceptable cost through the utilisation of the Bank's liquidity reserve
g) SAMA's Liquidity Ratio: Ensures that the 20% of the customer deposits are always maintained in short dated placements, treasury bills and government Bonds
h) Loans to Deposits ratio: Ensures that the Bank has adequate customer deposits to fund its loans portfolio

b) Funding Strategy

The Bank's funding strategy is to increase the retail and operational wholesale deposits through its Global Transaction Banking (GTB) and Retail initiatives. Additionally, the Bank also ensures that deposit maturities are not concentrated by ensuring the deposits have an average (remaining) tenor of 90 days. The average tenor of core deposits is monitored by ALCO monthly and reported to the BRPC each quarter.

c) Liquidity risk mitigation techniques

Liquidity risk is the risk that sufficient funds are not available to meet the Bank's financial obligations on a punctual basis as they fall due. The risk arises from the timing differences between the maturity profiles of the Bank's assets and liabilities. It includes the risk of losses arising from the following:

- forced sale of assets at below normal market prices
- raising of deposits or borrowing funds at excessive rates
- the investment of surplus funds at below market rates

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 current financial commitments but also to facilitate business expansion. These objectives are met through the application of prudent liquidity controls. These controls provide 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 ensure that, over a medium-term horizon, the future profile of cash flows are adequately controlled through liquidity gap limits. 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.

d) Liquidity Stress Testing

The Bank conducts liquidity stress testing as part of the quarterly BRPC meeting and the ILAAP exercise. The stress tests are conducted under three scenarios; severe, moderate and mild over a time horizon of three months. The impact of liquidity risk factors such as deposit concentration risk, Retail funding risk, Wholesale funding risk and other material risks are assessed to gauge the impact on regulatory ratios.

The stress tests are designed to assess the Bank's liquidity position under the three stress test scenarios in conjunction with the management actions that can be taken (if required) to restore the regulatory ratios within the regulatory guidelines in stressed liquidity situations.

e) Contingency funding plan

A Contingency Funding Plan ("CFP") helps ensure that a bank can prudently and efficiently manage extraordinary and unexpected fluctuations in liquidity during stressed conditions. The Bank's CFP outlines the strategy that addresses the avenues for alternative funding if a liquidity crisis arises. The CFP lays out the procedures and action plan to prepare the bank to deal with the crisis on hand with clear responsibilities, invocation and escalation procedures.

The Bank has formalized procedures related to the management of a liquidity crisis by forming a liquidity crisis management team which is mandated by the Board to implement the action plan to return to business as usual conditions. The Bank also has a comprehensive Board approved early warning indicators (EWIs), activation mandate, action plan including crisis assessment, financial and operational actions.

The Bank conducts testing on a frequent basis which includes funding options, liquidity testing and implementation of communication strategy.

The Bank's Risk Management function and ALCO monitors EWIs and its triggers for signs of internal distress as well as in the banking sector, and other geographic areas, which have the potential to impact the Bank's liquidity and funding.

f) Customized measurement tools or metrics that assess the structure of the bank's balance sheet or that project cash flows and future liquidity positions, taking into account off-balance sheet risks which are specific to that bank.

On Balance

SAR 000s	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	No fixed maturity	Total
Assets						
Cash and balances with SAMA	7,781,784	-	-	-	1,142,275	8,924,059
Due from Banks and other financial institutions	750,333	-	30,017	-	486,981	1,267,331
Investments, net	57,913	174,072	1,536,585	797,966	594,517	3,161,053
Positive fair value of derivatives	80	251	85,798	198,862	-	284,991
Loans and advances, net	16,865,109	1,278,368	617,106	1,135	-	18,761,718
Other assets	-	-	-	-	483,219	483,219
Total assets	**25,455,219**	**1,452,691**	**2,269,506**	**997,963**	**2,706,992**	**32,882,371**
Liabilities						
Due to banks and other financial institutions	693,600	150,000	-	-	46,191	889,791
Customer deposits	5,338,797	4,443,556	487,313	-	13,529,629	23,799,295
Negative fair value of derivatives	80	387	88,642	235,469	-	324,578
Lease liabilities	-	3,805	55,491	153,982	-	213,278
Other liabilities	-	-	-	-	596,276	596,276
Equity	-	-	-	-	7,059,153	7,059,153

Total Liabilities	**6,032,477**	**4,597,748**	**631,446**	**389,451**	**21,231,249**	**32,882,371**
On Balance sheet Gap	**19,422,742**	**(3,145,058)**	**1,638,059**	**608,513**	**(18,524,256)**	

Off Balance

SAR 000s	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Letters of credit	1,030,318	446,215	1,416	-	1,477,949
Letters of guarantee	1,382,867	5,433,916	1,364,488	45,360	8,226,631
Acceptances	606,501	466,338	58,048	-	1,130,887
Irrevocable commitments to extend credit	-	-	700,000	619,666	1,319,666
Total	3,019,686	6,346,469	2,123,952	665,026	12,155,133

g) Concentration limits on collateral pools and sources of funding (both products and counterparties.

Sources of Funding Distribution	
Deposits from banks	3.4%
Deposits from customers	92.2%
Other liabilities	4.4%

14. LIQ1 – Liquidity Coverage Ratio (LCR)

SAR 000s	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets		
Total high-quality liquid assets (HQLA)		10,953,781
Cash Outflows		
Retail deposits and deposits from small business customers, of which:		
Less stable deposits	1,677,023	167,702
Unsecured wholesale funding, of which:		
Non-operational deposits	14,158,099	6,101,530
Additional requirements, of which:		
Outflows related to derivative exposures and other collateral requirements	180,589	655
Credit and liquidity facilities	1,319,666	131,967
Other contractual funding obligations		
Other contingent funding obligations	15,840,427	366,912
Total Cash Outflows		6,768,766
Cash Inflows		
Inflows from fully performing exposures	2,230,067	1,457,057
Other cash inflows	73,692	4.34
Total Cash Inflows	2,303,759	1,457,061
Total HQLA		10,953,781
Total Net Cash Outflows		5,311,704
Liquidity Coverage Ratio (%)		**206%**

- The average LCR is calculated by taking a simple average of the daily balances for the month of December 2020
- Saudi Central Bank requires banks to maintain minimum LCR of 100%. The Bank's LCR stands at 206% as at December 31, 2020
- The Bank held 98% of its High-Quality Liquid Assets (HQLA) in the form of cash, placements with central bank and 0% risk weight sovereign securities
- The majority of the Bank's weighted cash flows are attributable to the wholesale funding comprising of 55% of outflows; sovereigns, central banks, PSEs and MDBs at 24%, bank deposits at 11% and retail deposits at 2%
- As required by the regulator, LCR is monitored for all significant currencies to ensure compliance with liquidity ratios in either currency, these include SAR and USD

15. LIQ2 – Net Stable Funding Ratio (NSFR)

SAR 000s	Unweighted Value by Residual Maturity			Weighted Value
Available stable funding (ASF)	< 6 months	≥ 6 months to < 1 year	≥1 year	
Capital			7,243,890	7,243,890
Retail: Less stable deposits	3,640,609	24,529	1,986	3,300,611
Wholesale funding (non-operational deposit)	13,437,645	512,317	50,073	7,025,054
Unsecured funding from central banks	948.643		532,019	532,019
Unsecured funding from sovereigns/PSEs/MDBs/NDBs/Others	5,228,663	310,373		2,377,501
Total ASF				**20,479,075**
Required stable funding (RSF)				
Coins and banknotes	33,975			
Total central bank reserves	8,880,377			
Unsecured loans to financial institutions	1,165,443		30,032	204,848
Securities eligible as Level 1 HQLA			1,858,846	92,942
Securities eligible for Level 2B HQLA			361,164	180,582
Unencumbered loans to non-financial corporate clients with a residual maturity of less than one year	10,488,766	1,521,538		6,005,152
Unencumbered loans to retail and small business customers with a residual maturity of less than one year	84,022	83,317		83,659
Unencumbered performing loans with risk weights greater than 35% under the Basel II standardised approach for credit risk			5,143,834	4,372,259
Unencumbered Non-HQLA exchange traded equities			101,223	86,039
Unencumbered Non-HQLA securities not in default	135,000	77,000	681,594	791,355
Other short-term unsecured instruments and transactions with a residual maturity of less than one year	792,011			396,005
Defaulted securities and non-performing loans	333,320	17,203	202,307	552,833
Derivatives assets			292,747	
NSFR derivative assets (derivative assets less cash collateral received as variation margin on derivative assets)			143,202	143,202
Required stable funding associated with derivative liabilities			149,545	29,909
All other assets not included in above categories that qualify for 100% treatment	560,114			560,114
Off-balance sheet items	1,319,666			65,983
Total RSF				**13,564,882**
Net Stable Funding Ratio				**151%**

- As at December 31, 2020 the Bank held a balance of 35% of its Available Stable Funding (ASF) in form of capital, with a 100% ASF factor. The majority of the remaining balance of ASF was 34% in wholesale funding with 50% ASF factor and 16% in retail deposits with 90% ASF factor
- The Required Stable Funds (RSF) as at December 31, 2020 primarily consisted of performing loans and securities contributing 88% of the RSF, with various RSF factors. The remaining RSF are attributable to HQLA, other assets and off-balance sheet items

16. CRA - General qualitative information about credit risk

a) How the business model translates into the components of the Bank's credit risk profile.

Credit risk is the risk that a customer, counterparty or an issuer of securities or other financial instruments fails to perform under its contractual payment obligations thus causing the Bank to suffer a loss in terms of cash flow or market value. Credit risk is the predominant risk type faced by the Bank in its banking, investment and treasury activities, both on- and off-balance sheet.

Where appropriate, the Bank seeks to minimise its credit exposure using a variety of techniques including, but not limited to, the following:

- entering netting agreements with counterparties that permit the offsetting of receivables and payables
- obtaining collateral
- seeking third party guarantees of the counterparty's obligations
- imposing restrictions and covenants on borrowers

Credit risk is actively managed and rigorously monitored in accordance with well-defined credit policies and procedures. Prior to the approval of a credit proposal, a detailed credit risk assessment is undertaken which includes an analysis of the obligor's financial condition, market position, business environment and quality of management. The risk assessment generates an internal credit risk rating for each counterparty, which affects the credit approval decision and the terms and conditions of the transaction. For cross-border transactions, an analysis of country risk is also conducted. The credit decision for an individual counterparty is based on the aggregate Bank exposure to that counterparty and all its related entities.

b) Criteria and approach used for defining credit risk management policy and for setting credit risk limits.

The Bank has established a framework to identify all activities that might result in credit risk exposure and continues to rigorously manage its exposure to ensure that the Bank addresses the risk of default and consequent loss of earnings and impact on capital.

The credit risk management framework encompasses credit risk governance structure, credit risk appetite, credit risk strategies, credit risk policies and which are fully compliant with the BCBS and SAMA's regulations.

The Bank has a **credit risk governance structure** is in place that oversees credit risk management, supported by individuals and committees who have the appropriate levels of experience, qualifications and competence.

The Bank's risk appetite statement includes the Bank level **credit risk appetite** ensuring diversification and concentration limit thereby embracing credit risk capacity, targets, and tolerance levels and limit structure.

The Bank has developed **credit risk strategies** that shall help in minimising undue concentration and unexpected losses, while maintaining a diversified credit portfolio, effectively protecting the Bank's capital in all market conditions. These strategies clearly articulate and define the product lines and types of credit facilities offered, target markets (customers, industries, countries), portfolio mix, credit granting criteria, credit approving authorities and exceptions reporting.

The Bank has in place clearly articulated **credit risk policies and procedures** to address credit risk in the bank's activities at both individual and credit portfolio level, which reflect the bank's credit culture and ethical standards including credit granting, credit rating, credit monitoring, collateral management and distressed credit.

Bank-wide **credit limit setting** and approval authorisation requirements are conducted within Board approved guidelines, and the measurement, monitoring and control of credit exposures are done on a Bank-wide basis in a consistent manner. Overall exposures are evaluated to ensure diversification of credit risk. Potential concentration risks by product, industry, single obligor, credit risk rating and geography are regularly assessed with a view to improving overall portfolio diversification. Established limits and actual levels of exposure are regularly reviewed by the Chief Risk Officer (CRO) and other members of senior management.

All credit exposures are reviewed at least once a year. Credit policies and procedures are designed to identify, at an early stage, exposures which require more detailed monitoring and review.

Credit Granting and Rating

The Bank has established policies and processes to ensure that the Bank manages credit risk inherent in all products and activities based on the below key guidelines:

a) Risks of new products and activities is subject to adequate risk management procedures and controls and endorsed by the relevant authorized Committee/Senior Management, before being introduced to the market;
b) Credit exposure is subjected to a comprehensive credit review and due diligence;
c) Detailed credit rating methodology based on leading practices is used for assessing the credit worthiness of its obligors;
d) Policy is in place for the acceptance, assessment and management of collateral, where applicable; and
e) Clearly identified process is in place for obtaining credit approvals for new credit, as well as for amendments, renewals and refinancing of existing credit.

Credit Monitoring and Reporting

The Bank has established policies and processes to administer and monitor credit on an individual level and portfolio level, ensuring composition and quality of the credit (portfolio and individual), through the analysis of qualitative and quantitative information and ensuring adequacy of provisions when required;

a) efficient and effective credit administration policies govern monitoring adequacy of documentation, contractual requirements, adequate segregation of duties, adequate controls over all back-office procedures and compliance with prescribed management policies;
b) credit risk exposures are assessed under stressful conditions by conducting appropriate stress testing using different scenarios;
c) Concentration risk is monitored by industry, segment, single obligor, credit rating and geography;
d) framework for early warning indicators is implemented that measures the Bank's credit risk exposures;
e) Comprehensive procedures and adequate management information systems are in place to support the continuous monitoring and assessment of credit risk at both an individual and portfolio level;
f) Independent and on-going assessment of the credit risk management process is in place;
g) Effective and efficient internal reporting framework is established; and
h) Internal controls to ensure that exceptions to policies and limits are monitored and reported to the appropriate approving authorities are established.

Distressed Credit

The Bank has policies and processes in place for managing distressed credit and to ensure that remedial actions are undertaken on a timely basis. The Bank has a remedial management process triggered by specific events throughout the credit monitoring process. The Bank has established a Provisions Committee which sets the provisioning framework, methodology and processes, to ensure that adequate levels of provisions are in place at both an individual and portfolio level. The Provisions Committee reviews the provisions on a quarterly basis. The Bank classifies its exposures and calculate provisions in accordance with IFRS 9;

c) Structure and organization of the credit risk management and control function.

The Bank's Board-approved credit risk management structure clearly delineates lines of authority, establish accountabilities and responsibilities of individuals involved in the different phases of the credit risk management process.
The Bank's credit risk management organization is broadly classified into three functional lines of activities: The Business Lines, Credit Risk Management function and Credit administration, to properly segregate accountabilities, ensure that no individual is assigned conflicting responsibilities, and effectively monitor and control the risks being taken.

The **Business lines** (Wholesale Banking, Treasury and Retail Banking) perform credit originating; recommend internal credit ratings, classifications and allowances for losses including changes thereafter, if required; and the on-going monitoring of credit exposures of borrowers on a day-to-day basis.

The Bank has a dedicated **Credit Risk Management function** that are independent of business units headed by the CRO, who reports to the CEO. The Credit Risk Management function staff members have the necessary skills, expertise and specialisation. The function performs risk management and control functions that are independent from the credit originating and administration functions. The Credit Risk Management function provides meaningful inputs in policy formulation and limits setting, designs and implements the Bank's internal credit risk rating system and reviews periodic exposure and exception monitoring. All credit proposals are independently reviewed by the Credit Risk Management function and then recommended to the appropriate level of approval authority as defined in the Bank's policy which include Board of Directors, the Executive Committee of the Board and Senior Management Credit Committee of the Bank.

Special Asset Management is another function within Risk Management that is independent from the credit originating function to ensure that problem loans are managed effectively to minimize potential losses.

The **Credit Administration and Risk Control** function provides support in the overall credit administration, including, among others: ensuring complete documentation, credit disbursement and recording of payments received; maintenance of credit and collateral files; and compilation of management information reports.

d) Relationships between the credit risk management, risk control, compliance and internal audit functions.

The Board has ultimate responsibility for the Bank's risk organization and for ensuring satisfactory internal control. The Board adopts policies for controlling all perceived risks and these are supplemented by detailed routines and guidelines within the Bank. Board Risk Policy Committee (BRPC) supports the Board by discussing, steering and monitoring these risks and prepare for decisions by the full Board.

The CEO has overall responsibility for managing all the Bank's risks in accordance with the Board's policies. The CEO ensures that the Bank's organization and administration are appropriate and that the Bank's operations are in compliance with the external and internal framework. The CRO supports the CEO by ensuring that the Board has all necessary information to make risk related decisions.

The basis for the risk management and internal control framework in the Bank is based on the three lines of defence model that is governed by the Bank's policies.

The first line of defence refers to all risk management activities carried out by the line management and staff. All managers are fully responsible for the risks, and the management of these, within their respective area of responsibility. Hence, they are responsible for ensuring that the appropriate organization, procedures and support systems are implemented to ensure a sufficient system of internal controls.

The second line of defence refers to Bank's independent Credit Risk Management, Risk Control and Compliance Functions. To ensure independence, these functions are not involved in business operations. These functions set the framework and principles for the work on risk management and compliance, and carry out independent follow-up. Each function in the second line of defence has a well-defined mandate to ensure full independence of each function organizationally and operationally. These functions, however, operate in a coordinated manner to ensure that the Bank maintains the Risk Management Framework and Strategy.

Credit Risk Management is responsible for maintaining the Credit Risk Management Framework in the Bank by conducting credit risk assessments and managing the credit approval process within the Bank's risk strategy, risk profile, risk appetite and policy standards.

Credit Administration and Risk Control is responsible for the overall documentations, collateral management and limits management framework of the Bank where they ensure no breaches are noted. Any exceptions, if any, is escalated to the relevant stakeholders.

Compliance Function is responsible for ensuring compliance with KYC guidelines under applicable laws and regulatory requirements. The third line of defence refers to the **Internal Audit Function** which is responsible for carrying out a risk-based programme of work designed to provide assurance that Board-approved Credit Risk Management Framework have been consistently applied. This involves ensuring that controls are in place and working effectively in accordance with the Bank's policies and procedures as well as with laws and regulations. The Board Audit Committee receives regular reports of the results of audit work.

e) Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the board of directors.

The Credit Risk Reporting incorporates all the relevant forward looking business and financial risk drivers and metrics that are reflective of the nature of the Bank's business and is based on data that is subject to appropriate controls to ensure its integrity. The Credit Risk reports provided to Senior management and the Board on quarterly basis include:

- Providing an overview of GIB's **credit risk profile**, includes:
  - High-level summary of credit portfolio by credit rating classification, industry, region and country.
  - Summary of significant period-on-period changes to portfolio structure and composition.
  - Highlights of observed limit breaches, if any, including credit concentration limits together with details of corrective action.
  - Summary of collateral portfolio and composition.
  - Highlights of significant changes, if any, in the level of provisions, non-performing loans, major write-offs, decline in collateral values etc., and management actions taken in light of their developments.
  - Monitoring compliance with **risk appetite** metrics.
- Monitoring the results of the **credit risk stress tests** including:
  - Results of the quarterly credit risk stress testing, underlying scenarios and assumptions employed.

Key highlights from the analysis of the stress test results and comparison of results against the previous quarter.

17. CR1 - Credit quality of assets

		a	b	c	d
		Gross carrying values of		Allowances/ impairments	Net values (a+b-c)
	SAR 000's	Defaulted exposures	Non-defaulted exposures		
01	Loans	793,615	18,592,101	439,976	18,945,740
02	Debt Securities	0	2,567,251	0	2,567,251
03	Off-balance sheet exposures	0	36,250,993	0	36,250,993
04	***Total***	**793,615**	**57,410,345**	**439,976**	**57,763,984**

A default is considered to have occurred with regard to a particular obligor when either or both of the two following events have taken place:
1. The obligor is past due for 90 days or more on any material credit obligations to the Bank including principal instalments, interest payments and fees.
2. The bank considers that the obligor is unlikely to pay its credit obligations to the bank in full, without recourse by the bank to actions such as realizing security (if any).

18. CR2 - Changes in stock of defaulted loans and debt securities

	SAR 000's	Loans
1	**Defaulted loans and debt securities at end of the previous reporting period**	**1,449,200**
2	Loans and debt securities that have defaulted since the last reporting period	64,383
3	Returned to non-defaulted status	
4	Amounts written off	(698,825)
5	Other changes	(21,143)
6	**Defaulted loans and debt securities at end of the reporting period**	**793,615**

19. CRB – Additional disclosure related to the credit quality of assets

a) The scope and definitions of past due and impaired exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes.

Past due exposures represent those assets with payment obligations that has not been made as of the due date and / or in a timely fashion.

Individually **impaired** financial assets represent assets for which there is objective evidence that the Bank will not collect all amounts due, including both principal and interest, in accordance with the contractual terms of the obligation. Provisions for impairment are determined based on the difference between the net carrying amount and the recoverable amount of a financial asset. The recoverable amount is measured as the present value of expected future cash flows, including amounts recoverable from guarantees and collateral.

Provisions for impairment are also measured and recognised on a collective basis in respect of expected credit losses and are classified as either stage 1 or stage 2, in accordance with IFRS 9.

The stage 1 and stage 2 provisions reflect the probability-weighted estimate of expected credit losses. The provisions comprise both quantitative and qualitative information and analysis, based on the Bank's historical experience and taking into consideration both internal and external indicators and includes forward-looking information.

Provisions for impairment are recognised in the consolidated statement of income and are reflected in an allowance account against loans and advances, investment securities and placements.

Credit facilities are placed on non-accrual status and interest income suspended when either principal or interest is overdue by 90 days whereupon unpaid and accrued interest is reversed from income. Interest on non-accrual facilities is included in income only when received. Credit facilities classified as past due are assessed for impairment in accordance with the IFRS guidelines. A specific provision is established only where there is objective evidence that a credit facility is impaired.

b) The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this.

The 90 days rule for past due will generally apply unless the Bank has strong evidence to support a different classification. Substantial scrutiny is required to ensure that such evidence is in place and that it is fully documented and approved by the relevant authorities.

c) Description of methods used for determining impairments.

Expected Credit Losses on a collective basis is calculated for the following credit risk-related exposures that are not specifically impaired (provisioned). These would principally consist of:

a) Loans,
b) Credit-related contingents, excluding performance bonds,
c) Investments securities, and
d) Placements that have tenors greater than six months.

For all undrawn advised committed lines, a 50 per cent drawdown is assumed. The 50% drawdown is consistent with the 50% Credit Conversion Facto (CCF) specified under the Basel rules for undrawn committed facilities.

Individually impaired financial assets represent assets for which there is objective evidence that the Bank will not collect all amounts due, including both principal and interest, in accordance with the contractual terms of the obligation. Objective evidence that a financial asset is impaired may include:

a) a breach of contract, such as default or delinquency in interest or principal payments,
b) the granting of a concession that, for economic or legal reasons relating to the borrower's financial difficulties, would not otherwise be considered,
c) indications that it is probable that the borrower will enter bankruptcy or other financial re-organisation,
d) the disappearance of an active market, or
e) 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.

d) The Bank's own definition of a restructured exposure.

A restructured loan will be one where the terms and conditions have been modified, principally because of deterioration in the borrower's financial condition. Restructuring proposals will warrant certain concessions / conditions depending upon the particular situations involved.

e) Geographic analysis of credit risk exposures under the Standardised approach:

SAR 000's

	Standardised Approach Asset classes	Exposures before CCF and CRM						
		Saudi Arabia	GCC & Middle Est.	Europe	South East Asia	North America	Others	***Total***
01	Sovereigns and their central banks	10,921,267						**10,921,267**
02	Non-central government public sector entities	3,283						**3,283**
04	Banks	1,169,793	1,554,489	1,557,712	337,691	1,394,381		**6,014,066**
06	Corporates	46,998,524	501,276		2,028,074			**49,527,874**
07	Regulatory retail portfolios	716,321						**716,321**
10	Equity	370,052						**370,052**
11	Past-due loans	353,639						**353,639**
13	Other assets	1,128,784	58,350					**1,187,134**
14	***Total***	**61,661,663**	**2,114,115**	**1,557,712**	**2,365,765**	**1,394,381**		**69,093,636**

f) Industry analysis of credit risk exposures under the Standardised approach:

SAR 000's

	Standardised Approach Asset classes	Agriculture	Communication	Construction	Finances	Government	Manufacturing	Mining	Services	Transportation	Utilities	Wholesale Trade	Others	Total
1	Sovereigns and their central banks					10,921,267								10,921,267
2	Non-central government public sector entities					3,283								3,283
4	Banks				6,014,066									6,014,066
5	Corporates	1,558,060	266,547	7,630,124	7,264,445		9,197,853	3,314,114	4,487,458	1,667,205	173,270	10367,127	3,601,671	49,527,874
6	Regulatory retail portfolios												716,321	716,321
7	Equity				106,351			263,701						370,052
8	Past-due loans			4,454			36,289		36,136	100,147		176,336	277	353,639
9	Other assets				57,408								1,129,726	1,187,134
	Total	**1,558,060**	**266,547**	**7,634,578**	**13,442,270**	**10,924,550**	**9,234,142**	**3,577,815**	**4,523,594**	**1,767,352**	**173,270**	**10543,463**	**5,447,995**	**69,093,636**

	SAR 000's	Exposures before CCF and CRM					
	Industry Sector	**Neither past due nor impaired**	**Past due but not impaired**	**Impaired**	**Total gross amount**	**Impairment allowances**	**Total**
1	Agriculture	1,558,060			1,558,060		1,558,060
2	Communication	266,547			266,547		266,547
3	Construction	7,488,983	141,141	121,774	7,751,898	117,320	7,634,578
4	Finances	13,442,270			13,442,270		13,442,270
5	Government	10,924,550			10,924,550		10,924,550
6	Manufacturing	9,111,703	86,151	65,757	9,263,611	29,469	9,234,142
7	Mining	3,577,815			3,577,815		3,577,815
8	Services	4,475,974	11,484	36,136	4,523,594		4,523,594
9	Transportation	1,667,204		283,215	1,950,419	183,067	1,767,352
10	Utilities	173,270			173,270		173,270
11	Wholesale Trade	10,367,128		285,399	10,652,527	109,064	10,543,463
12	Others	5,416,681	31,036	1,334	5,449,051	1,056	5,447,995
	Total	**64,170,185**	**269,812**	**793,615**	**69,533,612**	**439,976**	**69,093,636**

g) Residual Maturity analysis of credit risk exposures under the Standardised approach:

	SAR 000's	Exposures before CCF and CRM			
	Standardised Approach Asset classes	<=1 year	> 1 year and <= 5 years	> 5 years	Total
01	Sovereigns and their central banks	9,100,870	1,015,488	804,909	10,921,267
02	Non-central government public sector entities	3,283			3,283
04	Banks	5,582,303	386,892	44,871	6,014,066
05	Corporates	40,078,445	8,925,138	524,291	49,527,874
06	Regulatory retail portfolios	49,065	666,018	1,238	716,321
07	Equity			370,052	370,052
08	Past-due loans	215,741	11,049	126,849	353,639
09	Other assets	1,186,383	751		1,187,134
	Total	**56,216,090**	**11,005,336**	**1,872,210**	**69,093,636**

h) Ageing analysis of days for past due credit risk exposures:

	SAR 000's	Exposures before CCF and CRM					
		Up to 29 days	30-59 days	60-89 days	90-179 days	180 days and over	Total
1	Loans	45	414	127		793,029	793,615
2	Debt Securities						
3	Off-balance sheet exposures						
	Total	**45**	**414**	**127**		**793,029**	**793,615**

20. CRC - Qualitative disclosure requirements related to credit risk mitigation techniques

a) Core features of policies and processes for, and an indication of the extent to which the Bank makes use of, on- and off-balance sheet netting.

Not Applicable. No such netting is applicable in the financial statements.

b) Core features of policies and processes for collateral evaluation and management.

The Bank has in place a collateral Management policy that is an integral part of the overall framework of credit risk management for Wholesale Banking within the Bank and sets out the parameters and criteria for the acceptance of collateral and its management. The primary objectives of this collateral Management Framework are to:

a) Assist the Relationship Managers (RMs) of Wholesale Banking in the determination of acceptability of collateral;

b) Support the responsible individuals in conducting an analysis and assessment of collateral against the value of the exposure;

c) Set out the policies to ensure that the collateral provided is legally enforceable;

d) Establish the requirements to safeguard collateral; and

e) Define the process for conducting periodic review and valuation of collateral.

The amount and type of collateral is dependent upon the assessment of the credit risk of the counterparty. The market/ fair value of the collateral is actively monitored on a regular basis and requests are made for additional collateral in accordance with the terms of the facility agreements. In general, lending is based on the customer's repayment capacity rather than the collateral value. However, collateral is considered the secondary alternative if the repayment capacity proves inadequate. Collateral is not usually held against securities or placements.

Types of eligible collateral commonly accepted

The Bank holds collateral against loans and advances in the form of physical assets, cash deposits, securities and guarantees.

Monitoring of Collateral Values

For all collateral where title deeds are being pledged, the RM with the assistance of external valuators is required to conduct a physical inspection/examination and shall produce a site visit report prior to the granting of the facility. This must be done unless waived by the Credit Approving Authority.

In accordance with section 6.1 (Financial Collateral) of the Basel II – SAMA's Detailed Guidance Document relating to Pillar 1 document, issued by SAMA in June 2016, the Bank applies haircuts to collateral valuation in accordance with section 3 (Collaterals) of the International Convergence of Capital Measurement and Capital Standards paper issued by the Basel Committee on Banking Supervision dated June 2006.

For physical assets, a minimum of two external valuation reports from different valuators shall be considered for the purpose of valuation at the Bank.

The Bank has in place a list of approved valuators who are professional and qualified to provide an opinion on the value of the collateral. The external valuators being appointed should be qualified under respective jurisdiction to conduct examination of the collateral.

The Bank takes into account concentrations of non-cash collateral for all product lines covered by collateral agreements.

Credit Administration function is responsible for generating the report identifying Collateral concentrations

c) Information about market or credit risk concentrations under the credit risk mitigation instruments used (i.e. by guarantor type, collateral and credit derivative providers).

The Bank uses a variety of credit risk mitigation techniques which contribute to risk diversification and credit protection. The different credit risk mitigation techniques such as collateral, guarantees, credit derivatives, netting agreements and covenants are used to reduce credit risk. The recognised credit risk mitigation activities are undertaken with various counterparties to ensure no additional credit or market risk concentrations occur.

Concentration risk is the credit risk stemming from not having a well-diversified credit portfolio, i.e. the risk inherent in doing business with large customers or being overexposed in particular industries or geographic regions. Concentration risk is captured in the Bank's Pillar 2 capital framework through the use of a credit risk portfolio model which considers single-name concentrations and sector concentrations in the credit portfolio

21. CR3 - Credit risk mitigation techniques – overview

	SAR 000's	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
01	Loans	18,811,945	133,795	8,228	9,876	9,664		
02	Debt Securities	2,567,251						
03	**Total**	**21,379,196**	**133,795**	**8,228**	**9,876**	**9,664**		
04	Of which defaulted	353,639						

22. CRD - Qualitative disclosures on Banks' use of external credit ratings under the standardised approach for credit risk

a) Names of the external credit assessment institutions (ECAIs) and export credit agencies (ECAs) used by the Bank, and the reasons for any changes over the reporting period.

The Bank uses the following External credit assessment institutions (ECAIs):

a) Moody's,
b) Standard & Poor's and
c) Fitch.

b) The asset classes for which each ECAI or ECA is used.

Externally rated Corporate, Banks and Securities Firms.

c) A description of the process used to transfer the issuer to issue credit ratings onto comparable assets in the Banking book (see paragraphs 99–101 of the Basel framework); and

The Bank uses ratings issued by Standard & Poor's, Moody's and Fitch to derive the risk-weightings under the Basel 3 capital adequacy framework. Where ratings vary between rating agencies, the highest rating from the lowest two ratings is used to derive the risk-weightings for regulatory capital adequacy purposes.

d) The alignment of the alphanumerical scale of each agency used with risk buckets (except where the relevant supervisor publishes a standard mapping with which the Bank has to comply).

The Bank uses grade scales from "1" to "10" with sub-grades that totals to 20 rating categories where "1" is the highest or the "best" and 10 is the lowest or the "worst" with ratings from "2" to "6" being further differentiated with "+" and "-" modifiers. The Bank's grade scale is mapped to external rating agencies (Standard & Poor's/ Moody's & Fitch) Investment grades (1-4) are mapped to (Standard & Poors & Fitch AAA to BBB- & Moody's AAA to Baa3), Sub-investment grades (5-7) mapped to (Standard & Poors & Fitch BB+ to C & Moody's Ba1 to C) and default grades are (8-10).

	GIBCR	Moody's	S&P	Fitch
Investment Grade	1	AAA	AAA	AAA
	2+	Aa1	AA+	AA+
	2	Aa2	AA	AA
	2-	3	-	-
	3+	A1	A+	A+
	3	A2	A	A
	3-	A3	A-	A-
	4+	Baa1	BBB+	BBB+
	4	Baa2	BBB	BBB
	4-	Baa3	BBB-	BBB-
Sub-Investment Grade	5+	Ba1	BB+	BB+
	5	Ba2	BB	BB
	5-	Ba3	BB-	BB-
	6+	B1	B+	B+
	6	B2	B	B
	6-	B3	B-	B-
	7	Caa - C	CCC - C	CCC - C
	8 - 10	-	D	D

23. CR4 - Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

	SAR 000's	a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
01	Sovereigns and their central banks	10,921,267		10,921,267			**0%**
02	Non-central government public sector entities		3,283		657	131	**20%**
04	Banks	1,380,962	4,633,104	1,390,627	1,887,930	1,294,148	**39%**
06	Corporates	17,919,284	31,608,590	17,909,619	4,905,644	22,404,366	**98%**
07	Regulatory retail portfolios	716,321		716,321		716,321	**100%**
10	Equity	370,052		370,052		370,052	**100%**
11	Past-due loans	353,639		353,639		384,255	**109%**
13	Other assets	1,181,117	6,017	1,181,117	3,008	575,201	**49%**
	Total	32,842,642	36,250,994	32,842,642	6,797,239	25,744,474	65%

24. CR5 - Standardised approach – exposures by asset classes and risk weights

	SAR 000's	a	b	c	d	e	f	g	h	j
	Asset classes/ Risk weight*	**0%**	**10%**	**20%**	**35%**	**50%**	**85%**	**100%**	**150%**	**Total credit exposures amount (post CCF and post-CRM)**
01	Sovereigns and their central banks	10,921,267								10,921,267
02	Non-central government public sector entities			657						657
04	Banks			1,409,634		1,713,403		155,520		3,278,557
06	Corporates	43,044		1,808		100,264	2,108,477	20,561,670		22,815,263
07	Regulatory retail portfolios							716,321		716,321
10	Equity							370,052		370,052
11	Past-due loans							292,405	61,234	353,639
13	Other assets	608,925						575,200		1,184,125
	Total	11,573,236		1,412,099		1,813,667	2,108,477	22,671,168	61,234	39,639,881

25. CCRA – Qualitative disclosure related to counterparty credit risk

a) Risk Management objectives and policies related to Counterparty credit risk, including:

Counterparty credit risk is the risk that a counterparty to a contract in the interest rate, foreign exchange, commodity, equity or credit markets defaults prior to the maturity of the contract. Counterparty credit risk arises in both the trading book and the banking book.

b) The method used to assign the operating limits defined in terms of internal capital for counterparty credit exposure and for CCP exposures;

The counterparty credit risk for derivative and foreign exchange instruments is subject to credit limits on the same basis as other credit exposures

c) Policies relating to guarantees and other risk mitigants and assessments concerning counterparty risk, including exposures towards CCPs;

Risk mitigation techniques are widely used to reduce exposure to single counterparties. The most common risk mitigation technique for derivative and foreign exchange-related exposure is the use of master netting agreements, which allow the bank to net positive and negative replacement values of contracts under the agreement in the event of default of the counterparty.

d) Policies with respect to wrong way exposures;

Wrong way risk is the risk that occurs when exposure to a counterparty is adversely correlated with the credit quality of that counterparty. The Bank's SRMC approves all new products. As part of its approval process, the SRMC ensures that new treasury products will not result in wrong way risk.

e) The impact in terms of amount of collateral that the bank would be required to provide given a credit Rating downgrade.

Not Applicable. Existing derivates contracts that Bank is part to do not have provisions for posting additional collaterals in case of a credit rating downgrade.

26. CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

	SAR 000's	a Replacement cost	b Potential future exposure	c EEPE	d Alpha used for computing regulatory EAD	e EAD post-CRM	f RWA
1	SA-CCR (for derivatives)	173,483	50,673		1.4	313,818	283,044
2	Internal Model Method (for derivatives and SFTs)						
3	Simple Approach for credit risk mitigation (for SFTs)						
4	Comprehensive Approach for credit risk mitigation (for SFTs)						
5	VaR for SFTs						
6	**Total**						283,044

27. CCR2 - Credit valuation adjustment (CVA) capital charge

	SAR 000's	a EAD post-CRM	b RWA
	Total portfolios subject to the Advanced CVA capital charge		
1	(i) VaR component (including the 3×multiplier)		
2	(ii) Stressed VaR component (including the 3×multiplier)		
3	All portfolios subject to the Standardised CVA capital charge	313,818	133,088
4	Total subject to the CVA capital charge	313,818	133,088

28. CCR3 - Standardised approach – CCR exposures by regulatory portfolio and risk weights

SAR 000's	a	b	c	d	e	f	g	h	i
Regulatory portfolio/ Risk weight	**0%**	**10%**	**20%**	**50%**	**85%**	**100%**	**150%**	**Others**	**Total credit exposures**
Banks			1,387	53,828					55,215
Corporates					18,332	240,271			258,603
Total	0	0	1,387	53,828		240,271			313,818

29. CCR8 - Exposures to central counterparties

		a	b
	SAR 000's	**EAD (post-CRM)**	**RWA**
1	**Exposures to QCCPs (total)**		-
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC derivatives		
4	(ii) Exchange-traded derivatives		
5	(iii) Securities financing transactions		
6	(iv) Netting sets where cross-product netting has been approved		
7	Segregated initial margin		
8	Non-segregated initial margin		
9	Pre-funded default fund contributions		
10	Unfunded default fund contributions		
11	**Exposures to non-QCCPs (total)**	313,818	283,044
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	313,818	283,044
13	(i) OTC derivatives	313,818	283,044
14	(ii) Exchange-traded derivatives		
15	(iii) Securities financing transactions		
16	(iv) Netting sets where cross-product netting has been approved		
17	Segregated initial margin		
18	Non-segregated initial margin		
19	Pre-funded default fund contributions		
20	Unfunded default fund contributions		

30. MRA - Qualitative disclosure requirements related to market risk

Market risk is the risk of loss due to adverse changes in interest rates, foreign exchange rates, commodity prices, equity prices and market conditions, such as liquidity. The principal market risks to which the Bank is exposed are equity risk, interest rate risk and foreign exchange risk associated with its trading, investment and asset and liability management activities.

a) Strategies and processes of the Bank

The Bank's trading and foreign exchange activities principally comprise trading in foreign exchange and derivative financial instruments. Derivative financial instruments predominantly include forwards and swaps in the interest rate and foreign exchange markets.

The Bank adopts a robust Risk Management Framework to comply with the Market Risk Strategy that address the policies and guidelines for the key processes underlying the identification, assessment, measurement, monitoring reporting and control of market risk, including:

- Market risk planning and assessment to determine the nature and level of market risk exposure that the Bank is permitted to undertake in light of its strategy and risk appetite and maintains, among other things, a rigorous process of security selection and approval;
- Value-at-risk analysis to provide a comprehensive and consistent measure of the Bank’s market risk exposure to adverse market movements;
- Limit management to monitor portfolio concentrations, size of open positions and maximum allowable losses that the Bank could face on those positions;
- Stress testing to assess and manage the risks associated with extreme market movements on the market values of the portfolios;
- Prudent valuation process to determine the mark-to-market or fair values of market risk related financial instruments and derivatives and maintain data quality;

b) Structure and organization of the market risk management function

The Bank has established a robust risk governance structure within the Bank’s Risk Strategy to ensure that all material market risks are managed and mitigated. The Bank maintains a prudent and disciplined approach to market risk taking by upholding a well thought out Risk Appetite Statement, comprehensive market risk management policies and processes. Below are the principal elements of the Bank’s market risk governance structure:

- Board of Directors (BoD) approve Bank’s overall market risk strategy and risk appetite
- The Board Risk Policy Committee (BRPC) assist the BoD in ensuring that the Bank has an adequate market risk management and risk control framework in place to realise the overall risk strategy and risk appetite
- Market Risk and Finance are responsible for maintaining the Bank’s market risk reporting framework which includes monitoring of the BoD approved VaR and other market risk limits. All limits are reported to ALCO and BRPC on a monthly and quarterly basis respectively.

c) Scope and nature of risk reporting

A key element in the Bank’s market risk management framework is the estimation of potential future losses that may arise from adverse market movements. The Bank utilises Value-at-Risk (VaR) to estimate such losses. The VaR is derived from quantitative models that use statistical and simulation methods that take account of all market rates and prices that may cause a change in a position’s value. These include interest rates, foreign exchange rates and equity prices, their respective volatilities and the correlations between these variables.

The VaR takes account of potential diversification benefits of different positions both within and across different portfolios. Consistent with general market practice, VaR is computed for all financial instruments for which there are readily available daily prices or suitable proxies. VaR is viewed as an effective risk management tool and a valuable addition to the non-statistically based limit structure. It permits a consistent and uniform measurement of market risk across all applicable products and activities. Exposures are monitored against a range of limits both by risk category and portfolio and are regularly reported to and reviewed by senior management and the BoD.

31. MR1 - Market risk under standardised approach

		a
	SAR 000's	**Capital charge in SA**
1	General interest rate risk	
2	Equity risk	35,914
3	Foreign exchange risk	6,260
4	Commodity risk	
5	Credit spread risk – non-securitisations	
6	Credit spread risk – securitisations (non-correlation trading portfolio)	
7	Credit spread risk – securitisation (correlation trading portfolio)	
8	Default risk – non-securitisations	
9	Default risk – securitisations (non-correlation trading portfolio)	
10	Default risk – securitisations (correlation trading portfolio)	
11	Residual risk add-on	
12	**Total**	**42,175**

32. IRRBBA - IRRBB risk management objectives and policies

a) **A description of how the Bank defines IRRBB for purposes of risk control and measurement.**

Interest rate risk arises from fluctuations in interest rates that lead to risk of losses. The Bank takes into consideration re-pricing, basis and option risks for the purposes of IRRBB. The Bank does not have any explicit rate options on its banking book and has assessed the prepayment and early redemption optionalities on its banking book to be immaterial.

b) **A description of the Bank's overall IRRBB management and mitigation strategies.**

The Bank's policy has been reviewed and endorsed by the Bank's Asset Liability Committee (ALCO), Board Risk Policy Committee (BRPC) and the Board of Directors (BoD).

The Bank's IRRBB management and mitigation strategies are as follows:

- BRPC is responsible for the oversight of the IRRBB management framework and the Bank's risk appetite for IRRBB
- The Bank's ALCO is responsible for the management of the IRRBB; which is to identify, measure, evaluate, and monitor the interest rate risk
- The Bank's risk appetite for IRRBB is considered in terms of the economic value of equity (EVE). The management have set trigger levels which are lower than the regulatory and the Bank's Board approved risk appetite, if triggered, Bank's management will take corrective measures to ensure adherence to the Board approved risk thresholds
- The Bank maintains its risk position within the desired level through entering into Interest Rate Hedges

c) **The periodicity of the calculation of the Bank's IRRBB measures and a description of the specific measures that the Bank uses to gauge its sensitivity to IRRBB.**

The Bank calculates the IRRBB on a quarterly basis and utilizes the following specific measures to gauge its sensitivity to IRRBB.

- Interest rate gap
- Earnings Approach (NII at risk)
- Economic Value Approach (EVE at risk)
- Repricing Duration Gap
- DV01

The interest rate risk in the banking book is also taken into consideration as part of the Bank's annual ICAAP.

d) **A description of the interest rate shock and stress scenarios that the Bank uses to estimate changes in the economic value and in earnings**

The Bank applies the six interest rate shock scenarios as prescribed by the regulator to compute the ΔEVE and two regulatory interest rate shocks for ΔNII.

e) **Where significant modelling assumptions used in the Bank's IMS**

The modelling assumptions used for the Bank's IRRBB as disclosed are adopted for capital adequacy purpose.

f) A high-level description of how the Bank hedges its IRRBB, as well as the associated accounting treatment.

The Bank does not intend to take on excessive IRRBB and therefore restricts itself from taking on positions with repricing tenors longer than two years. For fixed rate assets with repricing tenors greater than two years, the Bank enters into IRS trades to swap them into three-month repricing positions. Similarly, on the liability side the Bank also hedges the term deposits with greater than six-month tenors to one month or three-month repricing positions. The Bank regularly assesses the effectiveness of these hedges through prospective and retrospective tests. It ensures that all critical terms of the hedged item and hedging instrument are perfectly matched to ensure effectiveness.

g) A high-level description of key modelling and parametric assumptions used in calculating ΔEVE and ΔNII in Table B

The Bank has carried out behavioural analysis on the historical data for those balance sheet items which are not amenable to standardization. These include fixed rate retail loans with prepayment conditionality, retail term deposits with early redemption options and Non-maturing deposits (NMDs).

- **Non-Maturing Deposits (NMDs):** The Bank continuously observes the levels of its Call and Current account portfolios and identified the balances which have been with the Bank for over a two-year period. It then assigns a two-year tenor to 75% of this minimum level of balances on a conservative basis. The Bank also observes the portion which has remained with the Bank for over a six-month period and applies a three-month tenor on this portion on a conservative basis. The remaining balances are treated as non-core and slotted in overnight bucket.
- **Prepayment Rate of Customer Loans:** The retail loan portfolio of the Bank is non-material (<4%) and therefore no prepayment assumptions are considered.
- **Retail Term Deposits:** Redemption behaviour of all the term deposits over the last 5 years were checked for early redemptions and was assessed to be non-material (<0.1%).
- **The Corporate Lending Portfolio** of the Bank consists largely of floating rate loans, fixed rate short tenor working capital and trade financing products. More than 95% of the corporate balances reprice or mature within one year and therefore impact of any prepayment is not considered material.
- **For Corporate Term Deposits**, the Bank ensures that any early redemption is penalized to recoup the full economic loss and hence no further analysis was conducted.

33. IRRBB1 - Quantitative information on IRRBB

Segment	Average Maturity
Retail NMDs	0.97 Years
Corporate NMDs	0.29 Years
Average	**0.33 Years**

The slotting of NMDs has been done till the repricing bucket of 2Years

SAR 000s	ΔEVE	ΔNII
Parallel shock up: 200 bps increase in interest rates	(70,898)	128,897
Parallel shock down: 200 bps decrease in interest rates	85,016	(128,897)
Steeper shock: short term interest rates down and longer term up	(42,089)	0
Flatter shock: short-term interest rates up and long-term down	25,836	0
Short-term interest rates shock up	(8,299)	0
Short-term interest rates shock down	8,246	0
Maximum	(70,898)	(128,897)
Total Capital	7,243,890	
EVE%	-0.98%	

34. REMA - Remuneration policy

NOMINATION & REMUNERATION COMMITTEE

The principal objective of the Committee is to help the Board in ensuring that the Bank's remuneration remain competitive for GIB to continue to attract, retain and motivate competent staff to achieve the strategy and objectives of the Bank. The responsibilities of the Committee, as stated in its mandate, also include, but are not limited to, the following:

Nomination matters:

1. Assessing the skills and competencies required on the Board, the Committees of the Board, and Senior Management.
2. Assessing from time to time the extent to which the required skills are represented on the Board and Senior Management.
3. Establishing processes for reviewing the performance of individual Directors and the Board as a whole.
4. Establishing processes for reviewing the performance of individual Senior Executives and Senior Management as a whole.
5. Overseeing Directors' corporate governance educational activities.
6. Establishing processes for the identification of suitable candidates for Senior Management, and approving individuals qualified to become members of Senior Management.
7. Establishing a succession plan for Senior Management.

Remuneration matters:

Reviewing and approving or making recommendations to the Board in respect of:
1. The executive remuneration and incentive policy which includes the fixed and variable remuneration for approved persons, and material risk-takers.
2. Policies relating to recruitment, retention, performance measurement and separation for the Directors, CEO and Senior Management.
3. Approve, monitor and review the remuneration system to ensure the system operates as intended.
4. Approve the remuneration amounts for each approved person and material risk-taker; as well as total variable remuneration to be distributed, taking account of total remuneration including salaries, fees, expenses, bonuses and other employee benefits.
5. Review the stress testing and back testing results before approving the total variable remuneration to be distributed.

REMUNERATION

The Bank's total compensation policy, which includes the variable remuneration policy, sets out GIB's policy on remuneration for Directors and Senior Management, and the key factors that were taken into account in setting the policy.

The Bank adopts Sound Remuneration Practices in accordance with SAMA requirements. The Board approved the framework and incentive components. The key features of the remuneration framework are summarised below.

Remuneration strategy

The Bank's basic compensation philosophy is to provide a competitive level of total compensation to attract, retain and motivate qualified and competent employees. The Bank's variable remuneration policy is driven primarily by a performance-based culture that aligns employee interests with those of the Shareholders of the Bank. These elements support the achievement of set objectives through balancing reward for both short-term results and long-term sustainable performance. The strategy is designed to share its success and to align employees' incentives with the risk framework and risk outcomes.

The quality and long-term commitment of all employees is fundamental to the success of the Bank. The Bank therefore aims to attract, retain and motivate the very best people who are committed to maintaining a career with the GIB; and who will perform their role in the long-term interests of Shareholders. The Bank's reward package comprises the following key elements:
- Fixed pay
- Benefits
- Annual performance bonus
- Deferred bonus share plan

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Nomination and Remuneration Committee of the Board (NRC).

The Bank's remuneration policy, in particular, considers the role of each employee; and has set guidance depending on whether an employee is a Material Risk Taker and/or an Approved Person in business line, control or support functions. An Approved Person is an employee whose appointment would require prior regulatory approval because of the significance of the role within the Bank; and an employee is considered a Material Risk Taker if they head up significant business lines, and any individuals within their control have a material impact on the Bank's risk profile.

To ensure alignment between what is paid to employees and the business strategy, GIB assesses Bank-wide, divisional and individual performance against annual and long-term financial and non-financial objectives, summarised in line with the business planning and performance management process. This takes into account adherence to the Bank's values, risk and compliance measures and, above all, acting with integrity. Altogether, performance is therefore judged not only on what is achieved over the short- and long-term; but also importantly on how it is achieved, as the latter contributes to the long-term sustainability of the business.

NRC role and focus

The NRC has oversight of all reward policies for the Bank's employees. The NRC is the supervisory and governing body for compensation policy, practices and plans. It is responsible for determining, reviewing and proposing variable remuneration policy for approval by the Board. It is responsible for setting the principles and governance framework for all compensation decisions. The NRC ensures that all persons must be remunerated fairly and responsibly. The remuneration policy is reviewed on a periodic basis to reflect changes in market practices, and the business plan and risk profile of the Bank.

Scope of application of the remuneration policy

The principles of this remuneration policy apply on a Bank-wide basis.

Variable remuneration for staff

The variable remuneration is performance related and consists primarily of the annual performance bonus award. As a part of the staff's variable remuneration, the annual bonus reward consists of delivery of operational and financial targets set each year, the individual performance of the employees in achieving those targets, and their contribution to delivering the Bank's strategic objectives.

The Bank has adopted a Board-approved framework to develop a transparent link between variable remuneration and performance. The framework is designed on the basis that the combination of meeting both financial performance and achievement of other non-financial factors would, all other things being equal, deliver a target bonus pool for the employees, prior to consideration of any allocation to business lines and employees individually. In the framework adopted to determine the variable remuneration pool, the NRC aims to balance the distribution of the Bank's profits between Shareholders and employees.

The key performance metrics at the Bank level include a combination of short-term and long-term measures; and include profitability, solvency, liquidity and growth indicators. The performance management process ensures that all goals are appropriately cascaded down to respective business units and employees.

In determining the amount of variable remuneration, the Bank starts from setting specific targets, establishing market comparable bottom-up, setting a profit target and other qualitative performance measures that would result in a target top-down bonus pool. The bonus pool is then adjusted to take account of risk via the use of risk-adjusted measures.

The NRC carefully evaluates practices by which remuneration is paid for potential future revenues whose timing and likelihood remain uncertain. The NRC demonstrates that its decisions are consistent with an assessment of the Bank's financial condition and future prospects.

The Bank uses a formalised and transparent process to adjust the bonus pool for quality of earnings. It is the Bank's objective to pay out bonuses out of realised and sustainable profits. If the quality of earnings is not strong, the profit base could be adjusted based on the discretion of the NRC.

For the Bank to have any funding for distribution of a bonus pool, thresholds of financial targets have to be achieved. The performance measures ensure that the total variable remuneration is generally considerably contracted where subdued or negative financial performance of the Bank occurs. Furthermore, the target bonus pool, as determined above, is subject to risk adjustments in line with the risk adjustment and linkage framework.

Remuneration of control functions

The remuneration level of staff in the control and support functions allows the Bank to employ qualified and experienced personnel in these functions. The Bank ensures that the mix of fixed and variable remuneration for control and support function personnel is weighted in favour of fixed remuneration. The variable remuneration of control functions is based on function-specific objectives, and is not to be determined by the individual financial performance of the business area they monitor.

The Bank's performance management system plays a major role in deciding the performance of the support and control units on the basis of the objectives set for them. Such objectives are more focused on non-financial targets that include risk, control, compliance and ethical considerations; as well as the market and regulatory environments, apart from value-adding tasks which are specific to each unit.

Variable remuneration for business units

The variable remuneration for the business units is primarily decided by the key performance objectives set through the performance management system of the Bank. Such objectives contain financial and non-financial targets, including risk control, compliance and ethical considerations, as well as the market and regulatory environments.

(a) <u>Information relating to the design and structure of remuneration process;</u>

The Policy seeks to assist in creating an efficient process, by acting as a point of reference in relation to the variable remuneration policies and procedures followed by the HR Department within the Bank in compliance with the Saudi Arabia Monetary Authority ("SAMA")'s Rules on Compensation Practices ("SAMA Regulations").

Review and Approval of the Manual

Any material changes in the operating environment or business model, or changes in applicable laws shall trigger an immediate ad-hoc review to ensure that the Policy remains in line with the Bank's strategy, practices, and business context at all times.
Modifications to the Policy that result in major changes to the principles and rules underpinning variable remuneration shall be endorsed by the NRC and referred to the Board of Directors for approval. Procedural or minor changes, clarifications and operational mechanisms will be approved by NRC.

Implementation

The Chief Human Resources Officer ("CHRO") shall be responsible for ensuring that the policies and procedures in this Policy are adhered to by the respective staff. Any exceptions to the policies and procedures shall have to be brought to the attention of the CHRO and signed off by him/ her and reported to the NRC. All material breaches shall be immediately reported to the CHRO who will report the event to the NRC for further action.
All employees of the Bank are also responsible for implementation of this Policy.

Applicable Law

The Policy is established in accordance with the Labour Laws in the Kingdom of Saudi Arabia.
Should there be any difference in substance or interpretation between this Policy and the Labour Laws or applicable SAMA regulations, then the Labour Laws and applicable SAMA regulations shall prevail.

General Principles

The variable remuneration policies and procedures set forth in this Policy are enforceable towards all employees in the Bank as applicable.
This Policy complements the Employment Contracts, except where the terms of the Employment Contract are more favourable (but subject to being compliant with the SAMA regulations).
Employees must be informed of these practices, policies and procedures upon negotiation and urged to sign an acknowledgement before accepting employment.
Any condition that contradicts with the provisions of this Policy, and any acquittal or reconciliation regarding the rights of an employee arising under this document and during the validity of the Employment Contracts shall be made null and void unless it is of more benefit to the employee (but subject to being compliant with the SAMA regulations).

GOVERNANCE OF VARIABLE REMUNERATION
Overview

It is the Bank's basic compensation philosophy to provide a competitive level of total compensation to attract, motivate and retain qualified and competent employees. The Bank's variable remuneration policy will be driven primarily by a performance based culture that aligns employee interests' with those of the shareholders of the Bank. The variable remuneration policy should ensure effective alignment of remuneration with prudent risk-taking by senior management in the conduct of business.

A robust and effective governance framework ensures that the Bank operates within clear parameters of its compensation strategy and policy. All compensation matters, and overall compliance with regulatory requirements, are overseen by the Governance, Nomination and Remuneration Committee of the Board (GNRC).

Design, approval and oversight of the variable remuneration policy

The Board of Directors must actively oversee the remuneration system's design and operation for senior management and risk-takers.

The Bank is governed by SAMA which prescribes certain guidance and regulations in relation to developing sound remuneration practices for high earners who are approved persons and material risk takers (together "covered staff"). For the purpose of this Policy, guidance will be issued specifically for high earners who are covered staff and the Bank's policy for other non-covered staff.

The GNRC must ensure all persons must be remunerated fairly and responsibly. The Bank's remuneration policies and practices must be designed to reduce employees' incentives to take excessive and undue risk. The GNRC will be responsible for approving the variable remuneration policy of the Bank, and overseeing its implementation.

In the design and oversight of the Bank's variable remuneration policies, the GNRC may take into account the inputs provided by all competent independent corporate functions, namely risk management, financial control, compliance, human resources and strategic planning.

The Bank's variable remuneration policy will be consistent with and promotes sound and effective risk management. The variable remuneration policy will not encourage excessive risk taking and should enable the Bank to achieve and maintain a sound capital base.

The GNRC will endorse and the Board of Directors will approve any subsequent material exceptions or changes to the variable remuneration policy and carefully consider and monitor their effects.

Review of the remuneration policy

The GNRC ensures that the remuneration policy of the Bank will be reviewed on an annual basis at a minimum. Such central and independent reviews assess whether the overall remuneration system:

- operates as intended (in particular, that all agreed plans/programs are being covered; that the remuneration pay-outs are appropriate, and that the risk profile, long-term objectives and goals of the Bank are adequately reflected); and
- is compliant with applicable laws, regulations, principles and standards.
-

Where periodic reviews reveal that the remuneration system does not operate as intended or prescribed, the GNRC will ensure that a timely remedial plan is put in place.

Variable remuneration governance structure

The governance of the variable remuneration policies of the Bank rests with the GNRC of the Board. In addition to human resources department, the GNRC may engage for assistance a number of relevant control and support functions namely the risk management, finance and compliance departments.
The above functions shall work closely with the GNRC to assist in determining the overall variable remuneration strategy applicable to the Bank, having regard to the promotion of effective risk management. This will include establishing an effective variable remuneration framework to determine performance management, risk adjustment and the linkages to reward.
The procedures for setting variable remuneration should allow risk and compliance functions to have input where those functions have concerns regarding: 1) the impact on staff behaviour, and 2) the riskiness of the business undertaken.

(b) <u>Information relating to the ways in which risks are taken into account in the remuneration process;</u>

Risk assessment framework

The risk assessment framework of GIB aligns variable remuneration to the risk profile of the Bank, and also ensures that the remuneration policy reduces employees' incentives to take excessive and undue risk. The Bank considers both quantitative measures and qualitative measures in the risk assessment process, and risk adjustments are applied to ensure that the Bank's remuneration policies are aligned to its risk appetite.

The NRC considers whether the variable remuneration policy is in line with the Bank's risk profile; and ensures that through the ex-ante and ex-post risk assessment framework and processes, remuneration practices where potential future revenues, whose timing and likelihood remain uncertain, are carefully evaluated.

Risk adjustments consider all types of risks, including intangible and other risks such as reputation risk, liquidity risk and the cost of capital. The Bank undertakes risk assessment to review financial and operational performance against the business strategy and risk performance, prior to distribution of the annual bonus. GIB ensures that total variable remuneration does not limit its ability to strengthen its capital base.

The bonus pool considers the performance of the Bank, which is considered within the context of its risk management framework. This ensures that the variable pay pool is shaped by risk considerations and Bank-wide notable events.

The size of the variable remuneration pool and its allocation within the Bank considers the full range of current and potential risks, including:

- The capital required to support the risks taken
- The level of liquidity risk assumed in the conduct of business
- Consistency with the timing and likelihood of potential future revenues incorporated into current earnings

The NRC keeps itself abreast of the Bank's performance against the risk management framework. The NRC will use this information when considering remuneration to ensure that return, risk and remuneration are aligned.

Risk adjustments

The Bank has an ex-post risk assessment framework, which is a qualitative assessment to back-test actual performance against risk assumptions.

In years where the Bank suffers material losses in its financial performance, the risk adjustment framework would work as follows:

- There would be considerable contraction of the Bank's total variable remuneration.
- At the individual level, poor performance by the Bank would mean individual KPIs are not met, and hence employee performance ratings would be lower.
- Reduction in value of deferred awards.
- Possible changes in vesting periods, and additional deferral applied to unvested rewards.
- Lastly, if the qualitative and quantitative impact of a loss incident is considered significant, a malus or clawback of previous bonus awards may be considered.

The NRC, with Board approval, can rationalise and make the following discretionary decisions:

- Increase/ reduce the ex-post adjustment
- Consider additional deferrals or increase in the quantum of share awards
- Recovery through malus and clawback arrangements

<u>Malus and clawback framework</u>

The Bank's malus and clawback provisions allow the NRC to determine that, if appropriate, unvested elements under the deferred bonus plan can be forfeited/adjusted, or the delivered variable remuneration could be recovered in certain situations. The intention is to allow the Bank to respond appropriately if the performance factors, on which reward decisions were based, turn out not to reflect the corresponding performance in the longer-term. All deferred remuneration awards contain provisions that enable the Bank to reduce or cancel the awards of employees whose individual behaviour has had a materially detrimental impact on GIB during the concerned performance year. Any decision to take back an individual's award can only be taken by the NRC.

The Bank's malus and clawback provisions allow the Board to determine that, if appropriate, vested/unvested elements under the deferred bonus plan can be adjusted/cancelled in certain situations. These events include, but are not limited to, the following:

- Reasonable evidence of misbehaviour or material error by the employee causing harm to the Bank's reputation, or where the employee's actions have amounted to misconduct, incompetence or negligence.
- The employee's business unit suffers a material downturn in its financial performance, or a material risk management failure, or a material restatement of the financial statements of the Bank.
- The employee deliberately misleads the market and/or Shareholders in relation to the financial performance of the Bank.
- A significant deterioration in the financial health of the Bank, or the relevant line of business incurring losses.

Clawback can be used if the malus adjustment on the unvested portion is insufficient, given the nature and magnitude of the issue.

Components of variable remuneration

Variable remuneration has following main components:

Upfront cash	The portion of the variable remuneration that is awarded and paid out in cash on conclusion of the performance evaluation process for each year.
Deferred cash	The portion of variable remuneration that is awarded and paid in cash on a pro-rata basis over a period of 3 years.

All deferred awards are subject to malus provisions.

(c) Description of the ways in which the bank seeks to link performance during a performance measurement period;

The performance of all employees is evaluated in at the Year-end reviews. All employees receive constructive feedback on performance at the Mid-year performance 'check-point'. The performance evaluations of all employees are linked to set targets and measures stated in the Performance Score Card and recorded on-line in GIB's Performance Management System.

Performance is evaluated using the Scorecard methodology. Each employee agrees to certain objectives and is assessed during the year on the progress made on these objectives. Employees are also appraised against their business peers through a Calibration process which is applied to ensure fair and equitable performance evaluation.

Employees are assessed using GIB's On Track / Off Track assessment during the mid-year stage. The assessment provides a common standard for assessing and comparing performance and is used to drive consistency and fairness of performance assessment. The On Track / Off Track assessment has been defined as follows:

On Track:
- Meets or exceeds H1 performance and values-aligned behavioural expectations;
- Likely to receive a 'Good', 'Strong' or 'Top Performer' year-end performance assessment.

Off Track:
- Does not meet H1 performance and/or Values- aligned behavioural expectations and;
- Needs to make improvement in order to receive a Good or Strong Year-End Performance Rating.

Employees are assessed against their performance using GIB's 5-point descriptive scale during the yearend. The scale has been defined as follows:

- *Outstanding "Top Performer"*: Always exceeds performance expectations
- *Excellent "Strong Performer"*: Frequently exceeds performance expectations
- *Fully Effective "Good Performer"*: Achieves or mostly achieves performance expectations
- *Partially Meets "Inconsistent Performer"*: Partially meet performance expectations
- *Did Not Meet "Poor Performer"*: Does not meet performance expectations

The performance management methodology adapted at GIB focuses on the differentiation of individual performance and drives the variable reward strategy which encourages high performance.

The Bank uses a guided discretionary variable pay determination philosophy, once the bank financial results are produced, Management presents to the NRC a proposed overall variable pay pool which varies based on the bank overall financial performance.

The pool is adjusted based on each stream department results then further down a range is produced for each employee based on individual performance. Line managers then starts the allocation process within the guided ranges which ensures the differentiation between individual's recommendations based on the level of Individual performance. GIB overall pay philosophy is to "Pay for performance" therefore, by the current definition of performance levels explained above "*Partially Meets*" and "*Did not Meets*" are not awarded by bank policy.

(d) Description of the ways in which the bank seeks to adjust remuneration to take account of longer team performance;

Explained under sections (a), (b) and (c)

(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer team performance;

GIB offer a main form of variable remuneration (cash). Where applicable, employees with variable pay is subject to cash deferral over 3 years.

GIB also applies an incentive scheme to employees engaged in Retail Banking sales function. The scheme concentrates on junior employees only and are annually reviewed validated by HR, Business and approved by NRC.

GIB takes into perspective the business nature, Employee level in addition to the total compensation factors when determining the individual’s pay mix, this is validated and determined based on market benchmarking and other elements such as the individual performance and business performance. GIB pay mix ranges between 70/30 fixed to variable for covered staff (business line and control functions) and between 50/50 fixed to variable for CEO, Deputy CEO and 5 most highly paid in business functions.

35. REM1 - Remuneration awarded during the financial year

	SAR 000's		a	b
	Remuneration amount		**Senior management**	**Other material risk-takers**
1	Fixed remuneration	Number of employees	16	103
2		Total fixed remuneration (3 + 5 + 7)	**15,627**	**44,274**
3		Of which: cash-based	15,627	44,274
4		Of which: deferred		
5		Of which: shares or other share-linked instruments	-	-
6		Of which: deferred		
7		Of which: other forms	-	-
8		Of which: deferred		
9	Variable remuneration	Number of employees	13	67
10		Total variable remuneration (11 + 13 + 15)	**5,420**	**8,658**
11		Of which: cash-based	4,572	8,658
12		Of which: deferred	1,286	848
13		Of which: shares or other share-linked instruments	848	-
14		Of which: deferred	811	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17		**Total remuneration (2 + 10)**	**21,047**	**52,932**

36. REM2 - Special payments

There was no deferred renumeration paid by the bank during this year.

37. REM3 - Deferred remuneration

SAR 000's	a	b	c	d	e
Deferred and retained remuneration	**Total amount of outstanding deferred remuneration**	**Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment**	**Total amount of amendment during the year due to ex post explicit adjustments**	**Total amount of amendment during the year due to ex post implicit adjustments**	**Total amount of deferred remuneration paid out in the financial year**
Senior management					
Cash	1,286				
Shares	811				
Cash-linked instruments					
Other					
Other material risk-takers					
Cash	848				
Shares					
Cash-linked instruments					
Other					
Total	**2,945**				