



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

INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-months period ended 31 March 2020 (unaudited)



GIB

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INDEPENDENT AUDITORS' LIMITED REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF INTERNATIONAL BANK - SAUDI ARABIA (A SAUDI CLOSED JOINT STOCK COMPANY)

Introduction

We have reviewed the accompanying interim statement of financial position of Gulf International Bank - Saudi Arabia, a Saudi Closed Joint Stock Company (the "Bank") as at 31 March 2020, and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the three-month period ended 31 March 2020 ("the period"), and other explanatory notes (collectively referred to as "the interim condensed financial statements"). Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

Other regulatory matters

As required by SAMA, certain capital adequacy information has been disclosed in Note 13 to the accompanying interim condensed financial statements. As part of our review, we compared the information in Note 13 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

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19 Dhul-Hajjah 1441H
9 August 2020

Interim statement of financial position (unaudited)

As at 31 March 2020

	Notes	31 March 2020 (Unaudited) SAR'000	31 December 2019 (Audited) SAR'000
ASSETS			
Cash and balances with the Saudi Arabian Monetary Authority (SAMA)		8,079,348	8,243,841
Due from banks and other financial institutions		2,755,089	1,448,087
Investments, net	6	2,777,034	2,773,746
Positive fair value of derivative financial instruments	9	313,558	160,959
Loans and advances, net	7	17,541,113	17,490,442
Property and equipment, net		75,201	76,683
Intangible assets, net		57,209	50,883
Right-of-use assets		233,564	235,981
Other assets		149,179	146,157
Total assets		31,981,295	30,626,779
LIABILITIES AND EQUITY			
Liabilities			
Due to banks and other financial institutions		848,018	578,469
Customers' deposits	8	22,803,804	21,716,758
Negative fair value of derivative financial instruments	9	351,769	175,739
Lease liabilities		224,408	224,542
Other liabilities		424,444	424,392
Total liabilities		24,652,443	23,119,900
Equity			
Share capital	13	7,500,000	7,500,000
Statutory reserve		1,753	1,753
Fair value reserve		(77,234)	2,045
(Accumulated losses)/retained earnings		(95,667)	3,081
Total equity		7,328,852	7,506,879
Total liabilities and equity		31,981,295	30,626,779

The interim condensed financial statements were approved by the Board of Directors on 3rd June 2020 and signed on its behalf by: -



Abdullah Mohammed Al-Zamil
Chairman



Abdulaziz A. Al-Helaissi
Chief Executive Officer



Marwan Abiad
Chief Financial Officer

The accompanying notes on pages 7 to 17 form an integral part of these interim condensed financial statements.

Interim statement of income (unaudited)

For the three-months period ended 31 March 2020

	<u>Notes</u>	For the three-month period ended 31 March 2020 (Unaudited) SAR'000
Special commission income		228,121
Special commission expense		(102,738)
Net special commission income		125,383
Fee and commission income		24,245
Fee and commission expense		(1,528)
Net fee and commission income		22,717
Exchange income, net		10,008
Loss on FVTPL investments, net		(45,230)
Gain on other FVTPL financial instruments, net		1,029
Dividend income		2,875
Total income		116,782
Salaries and employee related expenses		(68,904)
Rent and premises related expenses		(2,932)
Depreciation and amortisation		(19,923)
Other general and administrative expenses		(33,732)
Impairment charge for credit losses, net		(100,097)
Impairment charge for investments, net		(299)
Impairment reversal for other financial assets		11,017
Total operating expenses		214,870
Net loss for the period before zakat		(98,088)
Zakat charge for the period		(660)
Net loss for the period		(98,748)
Earnings per share (expressed in SAR per share)		
Basic and diluted earnings per share for the period	13	(0.013)

The accompanying notes on pages 7 to 17 form an integral part of these interim condensed financial statements.

Interim statement of comprehensive income (unaudited)

For the three-months period ended 31 March 2020

	For the three-month period ended 31 March 2020 (Unaudited) SAR'000
Net loss for the period	(98,748)
Other comprehensive loss:	
<i>Items that will not be reclassified to the statement of income in subsequent periods:-</i>	
- Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI)	(79,279)
Other comprehensive loss	(79,279)
Total comprehensive loss for the period	(178,027)

The accompanying notes on pages 7 to 17 form an integral part of these interim condensed financial statements.

Interim statement of changes in equity (unaudited)

For the three-months period ended 31 March 2020

	Share capital (Unaudited)	Statutory reserve (Unaudited)	Fair value reserve (Unaudited)	(Accumulated losses)/retained earnings (Unaudited)	Total equity (Unaudited)
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Balance as at 1 January 2020 (audited)	7,500,000	1,753	2,045	3,081	7,506,879
Net loss for the period	-	-	-	(98,748)	(98,748)
Net change in fair value of equity investments classified as fair value through other comprehensive income	-	-	(79,279)	-	(79,279)
Total comprehensive income for the period	-	-	(79,279)	(98,748)	(178,027)
Balance as at 31 March 2020	7,500,000	1,753	(77,234)	(95,667)	7,328,852

The accompanying notes on pages 7 to 17 form an integral part of these interim condensed financial statements.

Interim statement of cash flows (unaudited)

For the three-months period ended 31 March 2020

	<u>Note</u>	<u>For the three-months period ended 31 March 2020 (Unaudited) SAR'000</u>
OPERATING ACTIVITIES		
Net income before zakat for the period		(98,088)
Adjustments to reconcile net income before zakat to net cash flow from operating activities:		
Net accretion of discount on financial assets at amortized cost		(1,051)
Depreciation and amortization		19,923
Impairment charge for investments, net		299
Impairment charge for credit losses, net		100,097
Impairment reversal for other financial assets		(11,017)
Unrealized loss on investments		44,201
		54,364
Net (increase) / decrease in operating assets:		
Statutory deposit with SAMA		(179,339)
Due from banks and other financial institutions		(200,000)
Positive fair value of derivative financial instruments		(152,599)
Right-of-use assets		2,417
Loans and advances		(150,768)
Other assets		7,995
Net increase / (decrease) in operating liabilities:		
Due to banks and other financial institutions		269,549
Negative fair value of derivatives		176,030
Customers' deposits		1,087,046
Lease liabilities		(134)
Other liabilities		(608)
Net cash inflow from operating activities		913,953
INVESTING ACTIVITIES		
Purchase of investments		(130,000)
Proceeds from sale of investments		3,984
Purchase of property and equipment and intangible assets		(24,767)
Net cash outflow from investing activities		(150,783)
Net increase in cash and cash equivalents		763,170
Cash and cash equivalents at the beginning of the period		8,673,449
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11	9,436,619
Special commission received during the period		255,670
Special commission paid during the period		(126,448)
Supplemental non-cash information		
Net change in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI)		(79,279)
Zakat		660

The accompanying notes on pages 7 to 17 form an integral part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
At 31 March 2020

1. General

The activities of Gulf International Bank - Saudi Arabia (the Bank) were previously carried out as a foreign branch of Gulf International Bank B.S.C., a Bahraini shareholding company incorporated in the Kingdom of Bahrain by Amiri Decree Law No. 30 dated 24th November 1975 under the commercial registration number 466002. 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) and in accordance with Ministerial Resolution number 2007 dated 26th Jumada Al-Thani 1439H, corresponding to 14th March 2018, and SAMA approval number 391000082125 dated 23rd Rajab 1439H, corresponding to 9th April 2018. The address of the registered office of the Bank is as follows:

Gulf International Bank - Saudi Arabia
P. O. Box 39268
Dhahran
Kingdom of Saudi Arabia

The Bank carried out its operations from its three locations in Riyadh, Jeddah and Dhahran with the number of employees totalling 576 as at 31 March 2020 excluding outsourced employees. Upon formation of the Saudi Closed Joint Stock Company, the net assets and liabilities of the foreign branch of Gulf International Bank B.S.C - Kingdom of Bahrain were transferred to the Bank. The net assets and liabilities transferred at 3rd April 2019 were as follows:

	<u>SAR'000</u>
ASSETS	
Cash and balances with SAMA	6,408,271
Due from banks and other financial institutions	1,788,667
Investments, net	3,071,151
Positive fair value of derivative financial instruments	97,897
Loans and advances, net	16,854,170
Property and equipment, net	72,320
Intangible assets, net	46,447
Right-of-use assets	75,377
Other assets	93,373
Total assets	<u>28,507,673</u>
LIABILITIES	
Liabilities	
Due to banks and other financial institutions	4,279,738
Customers' deposits	23,693,678
Negative fair value of derivative financial instruments	105,063
Lease liabilities	52,936
Other liabilities	376,258
Total liabilities	<u>28,507,673</u>
Net assets	<u>-</u>

Transfers of the above assets and liabilities were made in accordance with the Articles of Association of the Bank and the resolution of the Bank's shareholders.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited)
At 31 March 2020

1. General (Continued)

The Bank's activities comprise wholesale, commercial, and retail banking services. The Bank also provides its customers with non-interest-based banking products which are approved and supervised by an independent Shariah Board.

The Bank's Subsidiary and associated funds are as follows:

Name of subsidiary / Fund	Country of incorporation	Ownership %	Proportion of ownership/voting power
Dar Enjaz Gulf Real Estate Company	Kingdom of Saudi Arabia	100%	Incorporated in the Kingdom of Saudi Arabia under Commercial Registration no.1010326338, issued in Riyadh. The Subsidiary was formed with the approval of SAMA for the purpose of dealing, managing and holding real estate on behalf of the Bank.
GIB Opportunistic Saudi Equity Fund	Kingdom of Saudi Arabia	92.33%	The fund's investment objective is to generate returns by investing in equity instruments listed on Tadawul.
GIB Saudi Equity Fund	Kingdom of Saudi Arabia	99.25%	The fund's investment objective is to generate returns by investing in equity instruments listed on Tadawul.
GIB Opportunistic MENA Equity Fund	Kingdom of Saudi Arabia	99.96%	The fund's investment objective is to generate returns by investing in MENA equity instruments.

The Bank neither consolidates the financial assets, liabilities and results of the Subsidiary, nor its investments in GIB Opportunistic Saudi Equity Fund, GIB Saudi Equity Fund, and GIB Opportunistic MENA Equity Fund in accordance with the exemption available in paragraph 4 of IFRS 10: Consolidated Financial Statements, and accounts for its investments in these entities at fair value through the income statement.

2. Basis of preparation

The interim condensed financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organisation for Certified Public Accountants ("SOCPA"), and in compliance with the provisions of the Banking Control Law, the Regulations for Companies in the Kingdom of Saudi Arabia and the by-laws of the Bank.

The preparation of these interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual annual results may differ from these estimates.

The Bank presents its statement of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses are not offset in the interim statement of income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

These interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as at 31 December 2019.

These interim condensed financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded to the nearest thousand.

3. Impact of changes in accounting policies due to adoption of new standards

There is no material impact on the Bank's interim condensed financial statements resulting from any new and amended accounting standards.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2020

4. Significant accounting judgments, estimates and assumptions

The preparation of the Bank's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Except for the impact as stated below, the accounting estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the audited financial statements as at 31 December 2019 and for the period from 3 April 2019 to 31 December 2019.

Novel coronavirus ("COVID-19")

The outbreak of novel coronavirus ("COVID-19") since early 2020, its spread across mainland China and then globally caused disruptions to businesses and economic activity globally including the Kingdom of Saudi Arabia and the declaration of this pandemic by the World Health Organization necessitated the Bank's management to revisit its significant judgments in applying the Bank's accounting policies and the methods of computation and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2019. Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Bank's management carried out an impact assessment on the overall Bank's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

5. Significant accounting policies

The accounting policies, estimates and assumptions used in the preparation of these interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2019 other than as described below:

5.1 Government Grant

The Bank recognises a government grant related to income, if there is a reasonable assurance that it will be received and the Bank will comply with the conditions associated with the grant. The benefit of a government deposit at a below-market rate of profit is treated as a government grant related to income. The below-market rate deposit is recognised and measured in accordance with IFRS 9 Financial Instruments. The benefit of the below-market rate of interest is measured as the difference between the initial fair value of the deposit determined in accordance with IFRS 9 and the proceeds received. The benefit is accounted for in accordance with IAS 20. The government grant is recognised in the interim condensed statement of income on a systematic basis over the period in which the Bank recognises as expenses the related costs for which the grant is intended to compensate.

6. Investments

Investment securities are classified as follows:

	31 st March 2020 (Unaudited) SAR'000	31 st December 2019 (Audited) SAR'000
Investments at amortized cost	2,320,517	2,192,423
Investments in equity securities at FVTOCI	301,800	381,079
Investments at FVTPL	158,391	203,621
Less: Expected credit losses for investments at amortized cost	(3,674)	(3,377)
Total	2,777,034	2,773,746

The Bank designated certain equity investments shown in the table above as equity securities at FVTOCI. The FVTOCI designation was made on the basis that the investments are expected to be held for the long-term for strategic purposes.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2020

7. Loans and advances

31st March 2020 (Unaudited)

SAR'000

	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	317,984	16,025,257	684,932	17,028,173
Non-performing loans and advances	-	1,409,803	1,507	1,411,310
Gross loans and advances	317,984	17,435,060	686,439	18,439,483
Allowances for expected credit losses	(816)	(888,231)	(9,323)	(898,370)
Loans and advances, net	317,168	16,546,829	677,116	17,541,113

Performing loans and advances include SAR 245,660 thousand that are delinquent but not impaired.

31st December 2019 (Audited)

SAR'000

	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	326,134	16,067,330	494,437	16,887,901
Non-performing loans and advances	-	1,400,588	620	1,401,208
Gross loans and advances	326,134	17,467,918	495,057	18,289,109
Allowances for expected credit losses	(826)	(790,081)	(7,760)	(798,667)
Loans and advances, net	325,308	16,677,837	487,297	17,490,442

Performing loans and advances include SAR 531,477 thousand that are delinquent but not impaired.

8. Customers' deposits

	31 st March 2020 (Unaudited) SAR'000	31 st December 2019 (Audited) SAR'000
Demand deposits	10,301,685	7,592,423
Saving accounts	561,486	90,049
Time deposits	11,539,719	13,773,492
Others	400,914	260,794
Total customer deposits	22,803,804	21,716,758

Time deposits include deposits taken under non-interest-based contracts of SAR 10,242 million (2019: SAR 13,043 million).

9. Derivatives and foreign exchange instruments

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

a) **Swaps**

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2020

9. Derivatives and foreign exchange instruments (continued)

cross-currency commission rate swaps, principal, fixed and floating commission payments are exchanged in different currencies.

b) Forwards

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

c) Options

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

Held for trading purposes

The majority of the Bank's derivative trading activities relate to sales, positioning and arbitrage. Sales activities involve offering products to customers and banks in order, inter alia, to enable them to transfer, modify or reduce current and future risks. Positioning involves managing market risk positions with the expectation of profiting from favourable movements in prices, rates or indices. Arbitrage involves identifying, with the expectation of profiting, from price differentials between markets or products.

Held for hedging purposes

The Bank has adopted a comprehensive system for the measurement and management of risk. Part of the risk management process involves managing the Bank's exposures to fluctuations in foreign exchange and commission rates to reduce its exposures to currency and commission rate risks to acceptable levels, as determined by the Board of Directors ("Board") within the guidelines issued by SAMA.

The Board has established the levels of currency risk by setting limits on counterparty and currency position exposures. Positions are monitored on a daily basis and hedging strategies are used to ensure that positions are maintained within the established limits. The Board has also established the level of commission rate risk by setting limits on commission rate gaps for the stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis, and hedging strategies are used to reduce commission rate gaps within the established limits.

As part of their asset and liability management, the Bank uses derivative financial instruments for hedging purposes in order to adjust their own exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against the overall statement of financial position exposures. Strategic hedging, other than portfolio hedging for commission rate risk, does not qualify for special hedge accounting and the related derivative financial instruments are accounted for as held for trading purposes.

The Bank uses commission rate swaps to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. In such cases, the nature of the hedging relationship and objectives including the details of the hedged items and hedging instruments, are formally documented, and the transactions are accounted for as fair value hedges.

The table below summarizes the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amounts, which provide an indication of the volumes of the transactions outstanding at the period-end, do not necessarily reflect the amounts of future cash flows involved. These notional amounts, therefore, are neither indicative of the Bank's exposure to credit risk, which is generally limited to the positive fair value of the derivatives, nor market risk.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2020

9. Derivatives and foreign exchange instruments (continued)

Derivatives and foreign exchange instruments	31 st March 2020 (Unaudited) SAR'000			31 st December 2019 (Audited) SAR'000		
	Notional amount	Positive fair value	Negative fair value	Notional amount	Positive fair value	Negative fair value
- Held for trading						
Commission rate swaps	8,772,190	258,440	(259,821)	8,805,662	139,069	(140,424)
Currency swaps	225,465	241	(241)	233,261	398	(402)
Commission rate futures and options	2,444,893	48,827	(49,835)	2,496,920	19,857	(19,859)
Forward foreign exchange contracts	1,161,196	2,352	(2,991)	766,875	99	(813)
- Held as fair value hedge						
Commission rate swaps - loans	789,827	2	(38,779)	854,511	422	(14,000)
Commission rate swaps - deposits	2,244,633	3,696	(102)	3,252,136	1,114	(241)
Total	15,638,204	313,558	(351,769)	16,409,365	160,959	(175,739)

10. Commitments and Contingencies

	31 st March 2020 (Unaudited) SAR'000	31 st December 2019 (Audited) SAR'000
Letters of credit	1,696,989	1,620,185
Letters of guarantee	8,147,918	8,196,102
Acceptances	525,013	330,939
Irrevocable commitments to extend credit	1,235,517	1,235,517
Total	11,605,437	11,382,743

11. Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following:

	31 st March 2020 (Unaudited) SAR'000	31 st December 2019 (Audited) SAR'000
Cash and balances with SAMA (excluding statutory deposit)	6,911,548	7,255,380
Due from banks and other financial institutions with original maturities of three-months or less	2,525,071	1,418,069
Total	9,436,619	8,673,449

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2020

12. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction takes place either:

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

Determination of fair value and fair value hierarchy

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Bank have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Carrying amounts and fair value

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

	Carrying value	Fair value SAR'000			Total
		Level 1	Level 2	Level 3	
At 31st March 2020 (Unaudited)					
Financial assets measured at fair value					
Investments at FVTOCI	301,800	293,824	-	7,976	301,800
Investments at FVTPL	158,391	158,391	-	-	158,391
Positive fair value of derivatives	313,558		313,558	-	313,558
Financial assets not measured at fair value					
Investments at amortized cost	2,316,843	-	149,998	2,241,946	2,391,944
Loans and advances, net	17,541,113	-	-	17,506,987	17,506,987
Cash and balance with SAMA	8,079,348	-	-	8,079,348	8,079,348
Due from banks and other financial institutions	2,755,089	-	-	2,755,089	2,755,089
Other financial assets	96,197	-	-	96,197	96,197

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2020

12. Fair value of financial instruments (continued)

	Carrying value	Fair value SAR '000			Total
		Level 1	Level 2	Level 3	
At 31 December 2019 (Audited)					
Financial assets measured at fair value					
Investments at FVTOCI	381,079	373,103	-	7,976	381,079
Investments at FVTPL	203,621	203,621	-	-	203,621
Positive fair value of derivatives	160,959	-	160,959	-	160,959
Financial assets not measured at fair value					
Investments at amortized cost	2,189,046	-	148,918	2,147,924	2,296,842
Loans and advances, net	17,490,442	-	-	17,451,048	17,451,048
Cash and balance with SAMA	8,243,841	-	-	8,243,841	8,243,841
Due from banks and other financial institutions	1,448,087	-	-	1,448,087	1,448,087
Other financial assets	98,024	-	-	98,024	98,024

The fair value of non-current financial assets not measured at fair value are estimated by using a discounted cash flow model that incorporates assumptions for various risk factors.

	Carrying value	Fair value SAR'000			Total
		Level 1	Level 2	Level 3	
At 31st March 2020 (Unaudited)					
Financial liabilities measured at fair value					
Negative fair value of derivative financial instruments	351,769	-	351,769	-	351,769
Financial liabilities not measured at fair value					
Customers' deposits	22,803,804	-	-	22,499,891	22,499,891
Due to banks and other financial institutions	848,018	-	-	848,018	848,018
Other financial liabilities	141,467	-	-	141,467	141,467

	Carrying value	Fair value SAR '000			Total
		Level 1	Level 2	Level 3	
At 31 December 2019 (Audited)					
Financial liabilities measured at fair value					
Negative fair value of derivatives	175,739	-	175,739	-	175,739
Financial liabilities not measured at fair value					
Customers' deposits	21,716,758	-	-	20,756,921	20,756,921
Due to banks and other financial institutions	578,469	-	-	578,469	578,469
Other financial liabilities	163,518	-	-	163,518	163,518

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At 31 March 2020

12. Fair value of financial instruments (continued)

Derivatives classified as Level 2 comprise over the counter special commission rate swaps, currency swaps, special commission rate options, forward foreign exchange contracts and other derivative financial instruments. These derivatives are fair valued using the Bank's valuation models that are based on discounted cash flow techniques. The data inputs to these models are based on observable market parameters relevant to the markets in which they are traded and are sourced from widely used market data service providers. The movement in Level 3 financial instruments during the period relates to fair value and capital repayment movement only. Loans and advances are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SIBOR rates. The fair values of due from and due to banks and other financial institutions which are carried at amortized cost, are not significantly different from the carrying values included in the interim condensed financial statements, since these are short dated and the current market special commission rates for similar financial instruments are not significantly different from the contracted rates. The fair value of the remaining portfolio is not significantly different from its carrying value. There were no transfers between the levels of fair value hierarchies during the period.

13. Share capital and earnings per share

The authorised, issued and fully paid share capital at 31st March 2020 comprised 750 million shares of SAR 10 each. The shareholders of the Bank comprise: Gulf International Bank B.S.C. (50%) and Public Investment Fund (50%). Basic and diluted earnings per share for the period ended 31 March 2020 is calculated on a weighted average basis by dividing the net income for the period by 750 million shares.

14. Capital adequacy

The Bank's objectives when managing capital are: to comply with the capital requirements set by SAMA; to safeguard the Bank's ability to continue as a going concern and maintain a strong capital base. Capital adequacy and the use of regulatory capital are monitored weekly by the Bank's management.

The Bank monitors the adequacy of its capital using ratios established by SAMA. These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position assets, commitments and notional amount of derivatives at a weighted amount to reflect their relative risk. SAMA requires holding the minimum level of the regulatory capital and maintaining a ratio of total regulatory capital to the risk-weighted assets at or above a minimum of 8%.

The total risk-weighted assets and total Tier I and II capital are as follows:

	31 st March 2020 (Unaudited) SAR'000	31 st December 2019 (Audited) SAR'000
Risk-weighted exposure		
Credit risk	25,181,389	24,422,063
Operational risk	951,591	761,032
Market risk	421,448	420,281
Total risk-weighted exposure	26,554,428	25,603,376
Regulatory capital base		
Tier I capital	7,328,852	7,506,879
Tier II capital	188,119	130,630
Total regulatory capital base	7,516,971	7,637,509
Capital adequacy ratios		
Tier I ratio	27.60%	29.32%
Total ratio	28.31%	29.83%

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS At 31 March 2020

15. Impact of Covid-19 on expected credit losses ("ECL") and SAMA programs

During March 2020, the World Health Organisation ("WHO") declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. This outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. Governments all over the world took steps to contain the spread of the virus. Saudi Arabia in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews.

Oil prices have also witnessed significant volatility during the current period, owing not just to demand issues arising from COVID-19 as the world economies go into lockdown, but also supply issues driven by production volumes which had predated the pandemic. The Bank has evaluated the current situation through conducting stress testing scenarios on expected movements of oil prices and their impact on key credit, liquidity, operational, solvency and performance indicators, in addition to other risk management practices to manage the potential business disruption that the COVID-19 outbreak may have on its operations and financial performance. The steps taken by management also include commencing review of credit exposure concentrations at a more granular level, considering economic sectors, regions, counterparties, collateral protection, etc. This has also taken into consideration the impacts of government and SAMA support relief programmes.

These current events and the prevailing economic conditions require the Bank to revise certain inputs and assumptions used for the determination of expected credit losses ("ECL"). These primarily revolve around adjusting macroeconomic factors used by the Bank in estimation of ECL, and revisions to the scenario probabilities applied. The adjustments to macroeconomic factors and scenario weightings resulted in an additional ECL of SAR 11,735 thousand for the Bank. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty, and therefore the actual outcomes may be different to those projected. The impact of such an uncertain economic environment is judgemental, and the Bank will continue to reassess its position and the related impact on a regular basis.

At this point in time, it is difficult to ascertain the specific effects the health crisis and government and SAMA support measures, such as the repayment holidays and other mitigating packages, will have. The Bank has therefore concluded that it was too early for any potential credit impairment to be reflected through application of the staging criteria and focused on the macroeconomic model underpinning the PD and LGD determinations. The Bank will continue to individually assess significant corporate exposures as more reliable data becomes available, and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.

SAMA support programs and initiatives

In response to COVID-19, SAMA launched the Private Sector Financing Support Program ("PSFSP") in March 2020 to provide the necessary support to the Micro Small and Medium Enterprises ("MSME") as per the definition issued by SAMA via Circular No. 381000064902 dated 16 Jumada II 1438H (corresponding to 15 March 2017). The PSFSP mainly encompasses the following programs:

- Deferred payments program;
- Funding for lending program;
- Loan guarantee program; and
- Point of sale ("POS") and e-commerce service fee support program.

As part of the deferred payments program, the Bank is required to defer payments for six months on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrowers' potential cash flow issues. The Bank has effected the payment reliefs by deferring the instalments falling due within the period from 14 March 2020 to 14 September 2020 for a period of six months, without increasing the facility tenor. The accounting impact of these changes in terms of the credit facilities has been assessed and treated as per the requirements of IFRS 9 as a modification in the terms of arrangement. This has resulted in the Bank recognising a day 1 modification loss of SAR 12,378 thousand as at 31 March 2020, and this has been presented as part of net financing income. In the absence of other factors, participation in this deferment is not considered a significant increase in credit risk.

In order to compensate all the related costs that the Bank is expected to incur under the SAMA and other public authorities program, the Bank has received a profit free deposit of SAR 450,000 thousand from SAMA. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. This resulted in a total income of SAR 31,641 thousand, of which SAR 12,378 thousand has been recognised in the interim condensed statement of income as at 31 March 2020, with the remaining amount deferred. The management has exercised certain judgements in the recognition and measurement of this grant income.

As at 31 March 2020, the Bank is yet to participate in SAMA's funding for lending and loan guarantee programs. Furthermore, the POS and e-commerce service fee programs have had an immaterial impact to the Bank's financial statements for the period ended 31 March 2020.

During April 2020, SAMA issued a guidance on Accounting and Regulatory Treatment of COVID-19 Extraordinary Support Measures. The Bank will consider the guidance issued and evaluate the accounting impact in Q2 2020 accordingly.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
At 31 March 2020**16. Comparative figures**

According to clause 46 of the Bank's Articles of Association, the Bank's fiscal year is from 1st January to 31 December of each Georgian year, and the first fiscal period was from the date of commercial registration (i.e. 3 April 2019) to 31 December 2019. Therefore, no comparative figures have been presented, as these interim condensed financial statements represent the first interim condensed financial statements to cover the three-month period ended 31 March of the calendar year, which is consistent with the fiscal year of the Bank.

17. Approval of interim condensed financial statements

These interim condensed financial statements were approved by the Board of Directors on 3rd June 2020 (corresponding to 11th Shawal 1441H).