



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

# INTERIM CONDENSED FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September  
2020 (unaudited)



**GIB**

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## **INDEPENDENT AUDITORS' 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 30 September 2020, and the related interim statements of income and comprehensive income for the three-month and nine-month periods ended 30 September 2020 and the related interim statements of changes in equity and cash flows for the nine-month period ended 30 September 2020 (“the periods”), 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”) that is 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”, that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed 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 Saudi Central Bank (“SAMA”), certain capital adequacy information has been disclosed in Note 14 to the accompanying interim condensed financial statements. As part of our review, we compared the information in Note 14 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

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22 Shawal 1442H  
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**Interim statement of financial position (unaudited)**

As at 30th September 2020

	Notes	30 <sup>th</sup> September 2020 (Unaudited) SAR'000	31 <sup>st</sup> December 2019 (Audited) SAR'000	30 <sup>th</sup> September 2019 (Unaudited) SAR'000
<b>ASSETS</b>				
Cash and balances with the Saudi Arabian Monetary Authority (SAMA)		5,881,393	8,243,841	7,090,235
Due from banks and other financial institutions		1,554,861	1,448,087	1,076,010
Investments, net	6	2,958,314	2,773,746	2,690,546
Positive fair value of derivative financial instruments	9	293,901	160,959	193,301
Loans and advances, net	7	18,682,681	17,490,442	16,441,636
Property and equipment, net		67,795	76,683	90,107
Intangible assets, net		54,503	50,883	36,768
Right-of-use assets		231,695	235,981	70,834
Other assets		132,759	146,157	163,056
<b>TOTAL ASSETS</b>		<b>29,857,902</b>	<b>30,626,779</b>	<b>27,852,493</b>
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities</b>				
Due to banks and other financial institutions		1,895,843	578,469	400,606
Customers' deposits	8	19,629,007	21,716,758	19,207,058
Negative fair value of derivative financial instruments	9	332,902	175,739	210,606
Lease liabilities		225,019	224,542	54,913
Other liabilities		503,920	424,392	477,423
<b>Total liabilities</b>		<b>22,586,691</b>	<b>23,119,900</b>	<b>20,350,606</b>
<b>Equity</b>				
Share capital	13	7,500,000	7,500,000	7,500,000
Statutory reserve		1,753	1,753	-
Fair value reserve		(13,543)	2,045	(34,458)
(Accumulated losses)/retained earnings		(216,999)	3,081	36,345
<b>Total equity</b>		<b>7,271,211</b>	<b>7,506,879</b>	<b>7,501,887</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>29,857,902</b>	<b>30,626,779</b>	<b>27,852,493</b>

The interim condensed financial statements were approved by the Board of Directors on 22<sup>nd</sup> October 2020 and signed on its behalf by: -

  
Abdulla Mohammed Al-Zamil  
Chairman

  
Abdulaziz A. Al-Helaissi  
Chief Executive Officer

  
Marwan Abiad  
Chief Financial Officer

The accompanying notes on pages 7 to 19 form an integral part of these interim condensed financial statements.

**Interim statement of income (unaudited)**For the three-month and nine-month periods ended 30<sup>th</sup> September 2020

	For the three- month period ended 30 <sup>th</sup> September 2020 (Unaudited)	For the three- month period ended 30 <sup>th</sup> September 2019 (Unaudited)	For the nine-month period ended 30 <sup>th</sup> September 2020 (Unaudited)	For the period from 3 <sup>rd</sup> April 2019 to 30 <sup>th</sup> September 2019 (Unaudited)
<u>Notes</u>	SAR'000	SAR'000	SAR'000	SAR'000
Special commission income	149,606	266,381	541,204	532,413
Special commission expense	(36,199)	(130,925)	(192,386)	(269,095)
<b>Net special commission income</b>	<b>113,407</b>	<b>135,456</b>	<b>348,818</b>	<b>263,318</b>
Fee and commission income	25,466	21,549	74,362	39,916
Fee and commission expense	(914)	(1,027)	(3,484)	(2,452)
<b>Net fee and commission income</b>	<b>24,552</b>	<b>20,522</b>	<b>70,878</b>	<b>37,464</b>
Exchange income, net	3,588	5,397	24,199	9,489
Gain /(loss) on FVTPL investments, net	28,607	(11,714)	7,167	(12,830)
Gain on other FVTPL financial instruments, net	99	1,870	2,780	4,012
Dividend income	2,651	2,594	8,177	15,925
Other Income	7,809	-	8,558	-
<b>Total income</b>	<b>180,713</b>	<b>154,125</b>	<b>470,577</b>	<b>317,378</b>
Salaries and employee related expenses	(61,859)	(64,503)	(189,527)	(130,477)
Rent and premises related expenses	(4,530)	(1,547)	(10,868)	(6,744)
Depreciation and amortisation	(18,671)	(20,313)	(58,871)	(36,066)
Other general and administrative expenses	(38,548)	(38,662)	(114,137)	(64,975)
Impairment charge for credit losses, net	(148,191)	(10,115)	(325,733)	(33,898)
Impairment reversal / (charge) for investments, net	145	-	2,726	(1,698)
Impairment reversal for other financial assets	101	5,114	11,118	5,953
<b>Total operating expenses</b>	<b>(271,553)</b>	<b>(130,026)</b>	<b>(685,292)</b>	<b>(267,905)</b>
<b>Net (loss) / profit for the period before zakat</b>	<b>(90,840)</b>	<b>24,099</b>	<b>(214,715)</b>	<b>49,473</b>
Zakat charge for the period	(3,750)	(3,869)	(5,365)	(7,595)
<b>Net (loss) / profit for the period</b>	<b>(94,590)</b>	<b>20,230</b>	<b>(220,080)</b>	<b>41,878</b>
<b>Earnings per share (expressed in SAR per share)</b>				
Basic and diluted earnings per share for the period	13 (0.013)	0.03	(0.029)	0.06

The accompanying notes on pages 7 to 19 form an integral part of these interim condensed financial statements.

**Interim statement of comprehensive income (unaudited)**For the three-month and nine-month periods ended 30<sup>th</sup> September 2020

	For the three-month period ended 30th September 2020 (Unaudited) SAR'000	For the three-month period ended 30 <sup>th</sup> September 2019 (Unaudited) SAR'000	For the Nine-month period ended 30 <sup>th</sup> September 2020 (Unaudited) SAR'000	For the period from 3 April 2019 to 30th September 2019 (Unaudited) SAR'000
Net (loss) / profit for the period	(94,590)	20,230	(220,080)	41,878
Other comprehensive income / (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)	25,782	(25,246)	(15,588)	(39,991)
Other comprehensive income / (loss)	25,782	(25,246)	(15,588)	(39,991)
Total comprehensive income / (loss) for the period	(68,808)	(5,016)	(235,668)	1,887

The accompanying notes on pages 7 to 19 form an integral part of these interim condensed financial statements.

## Interim statement of changes in equity (unaudited)

For the three-month and nine-month periods ended 30<sup>th</sup> September 2020

	Share capital (Unaudited) SAR'000	Statutory reserve (Unaudited) SAR'000	Fair value reserve (Unaudited) SAR'000	Retained earnings (Unaudited) SAR'000	Total equity (Unaudited) SAR'000
Share capital issuance on 3 <sup>rd</sup> April 2019	7,500,000	-	-	-	7,500,000
Net profit for the period	-	-	-	41,878	41,878
Other comprehensive loss for the period	-	-	(39,991)	-	(39,991)
Total comprehensive (loss) / income for the period	-	-	(39,991)	41,878	1,887
Transfer from fair value reserve to retained earnings	-	-	5,533	(5,533)	-
At 30 <sup>th</sup> September 2019	7,500,000	-	(34,458)	36,345	7,501,887
	Share capital (Unaudited) SAR'000	Statutory reserve (Unaudited) SAR'000	Fair value reserve (Unaudited) SAR'000	Retained earnings/ (accumulated losses) (Unaudited) SAR'000	Total equity (Unaudited) SAR'000
<b>Balance as at 1<sup>st</sup> January 2020</b>	7,500,000	1,753	2,045	3,081	7,506,879
Net loss for the period	-	-	-	(220,080)	(220,080)
Other comprehensive loss for the period	-	-	(15,588)	-	(15,588)
<b>Total comprehensive loss for the period</b>	-	-	(15,588)	(220,080)	(235,668)
<b>Balance as at 30<sup>th</sup> September 2020</b>	7,500,000	1,753	(13,543)	(216,999)	7,271,211
	Share capital (Audited) SAR'000	Statutory reserve (Audited) SAR'000	Fair value reserve (Audited) SAR'000	Retained earnings (Audited) SAR'000	Total Equity (Audited) SAR'000
Share capital issuance on 3 <sup>rd</sup> April 2019	7,500,000	-	-	-	7,500,000
Net income for the period	-	-	-	7,009	7,009
Other comprehensive loss for the period	-	-	(3,488)	-	(3,488)
Actuarial gain on defined benefit pension plan	-	-	-	3,358	3,358
Total comprehensive (loss) / income for the period	-	-	(3,488)	10,367	6,879
Realized loss on sale of equity investments	-	-	5,533	(5,533)	-
Transfer from retained earnings	-	1,753	-	(1,753)	-
At 31 December 2019	7,500,000	1,753	2,045	3,081	7,506,879

The accompanying notes on pages 7 to 19 form an integral part of these interim condensed financial statements.

## Interim statement of cash flows (unaudited)

For the three-month and nine-month periods ended 30<sup>th</sup> September 2020

	Note	For the Nine-month period ended 30 <sup>th</sup> September 2020 (Unaudited) SAR'000	Period from 3 <sup>rd</sup> April 2019 to 30 <sup>th</sup> September 2019 (Unaudited) SAR'000
<b>OPERATING ACTIVITIES</b>			
Net (loss) /profit before zakat for the period		(214,715)	49,473
<b>Adjustments to reconcile net income before zakat to net cash flow from operating activities:</b>			
Net accretion of discount on financial assets at amortized cost		(1,460)	(3,011)
Depreciation and amortization		58,871	36,066
Impairment (reversal) / charge for investments, net		(2,726)	1,698
Impairment charge for credit losses, net		325,733	33,898
Impairment reversal for other financial assets		(11,118)	(5,953)
Unrealized loss / (gain) on investments		2,780	(8,818)
		<b>157,365</b>	<b>103,353</b>
<b>Net (increase) / decrease in operating assets:</b>			
Statutory deposit with SAMA		(77,122)	318,574
Positive fair value of derivative financial instruments		(136,938)	(95,404)
Right-of-use assets		4,286	(17,352)
Loans and advances		(1,517,972)	382,159
Other assets		28,512	(66,133)
<b>Net increase / (decrease) in operating liabilities:</b>			
Due to banks and other financial institutions		1,317,374	(83,439)
Negative fair value of derivatives		158,000	105,543
Customers' deposits		(2,087,751)	(736,620)
Lease liabilities		477	2,568
Other liabilities		73,326	72,267
<b>Net cash used in operating activities</b>		<b>(2,080,443)</b>	<b>(14,484)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(75,000)	(109,774)
Proceeds from sale of investments		(123,750)	457,775
Purchase of property and equipment and intangible assets		(53,603)	29,211
<b>Net cash (used in) / generated from investing activities</b>		<b>(252,353)</b>	<b>377,212</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the period		(2,332,796)	362,728
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	11	<b>8,673,449</b>	<b>6,854,447</b>
Special commission received during the period		588,616	619,030
Special commission paid during the period		(244,230)	(380,682)
<b>Supplemental non-cash information</b>			
Net change in fair value of investments classified as fair value through other comprehensive income (FVTOCI)		(15,588)	(39,991)

The accompanying notes on pages 7 to 19 form an integral part of these interim condensed financial statements.



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**  
**At 30<sup>th</sup> September 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 9<sup>th</sup> 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 589 as at 30 September 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>
<b>ASSETS</b>	
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
<b>Total assets</b>	<b><u>28,507,673</u></b>
<b>LIABILITIES</b>	
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
<b>Total liabilities</b>	<b><u>28,507,673</u></b>
<b>Net assets</b>	<b><u>-</u></b>

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) (continued)**  
**At 30<sup>th</sup> September 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	92.54%	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	99.49%	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 its 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 for the period ended 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**

Below amendments to accounting standards and interpretations became applicable for annual reporting periods commencing on or after January 1, 2020:

- Interest Rate Benchmark Reform (Amendment to IFRS 9, IAS 39 and IFRS 7) (refer note 3.1)
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Amendments to References to the Conceptual Framework in IFRS Standards.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**  
**At 30<sup>th</sup> September 2020**

**3. Impact of changes in accounting policies due to adoption of new standards (continued)**

**3.1 IBOR Transition (Interest Rate Benchmark Reforms)**

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from Inter-bank Offered Rates ("IBOR").

**Phase (1)** - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform. The Bank has adopted these amendments along with the hedging relief for pre-replacement hedges.

**Phase (2)** - The second phase relates to the replacement of benchmark rates with alternative risk-free rates. Currently, there is uncertainty as to the timing and the methods of transition for phase 2. As a result of these uncertainties, IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. Therefore, the Bank believes the current market structure supports the continuation of hedge accounting as at 30 September 2020.

Management is running a project on the Bank's overall transition activities and continues to engage with various stakeholders to support an orderly transition. The project is significant in terms of scale and complexity and will impact products, internal systems and processes.

The management has assessed that the above amendments have no significant impact on the Bank's interim condensed consolidated financial statements.

**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. The grant income is only recognised when the beneficiary is the Bank. Where the customer is the beneficiary, the Bank only records the respective receivable and payable amounts.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)  
At 30<sup>th</sup> September 2020

6. Investments, net

Investment securities are classified as follows:

	As at 30 <sup>th</sup> September 2020 (Unaudited) SAR'000	As at 31 <sup>st</sup> December 2019 (Audited) SAR'000	As at 30 <sup>th</sup> September 2019 (Unaudited) SAR'000
Investments at amortized cost	2,382,685	2,192,423	2,350,227
Investments in equity securities at FVTOCI	365,490	381,079	103,478
Investments at FVTPL	210,788	203,621	240,854
Less: Expected credit losses for investments at amortized cost	(649)	(3,377)	(4,013)
<b>Total</b>	<b>2,958,314</b>	<b>2,773,746</b>	<b>2,690,546</b>

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.

7. Loans and advances, net

30<sup>th</sup> September 2020 (Unaudited)

SAR'000

	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	344,755	17,281,536	734,569	18,360,860
Non-performing loans and advances	-	1,443,067	1,619	1,444,686
<b>Gross loans and advances</b>	<b>344,755</b>	<b>18,724,603</b>	<b>736,188</b>	<b>19,805,546</b>
Allowances for expected credit losses	(1,173)	(1,108,103)	(13,589)	(1,122,865)
<b>Loans and advances, net</b>	<b>343,582</b>	<b>17,616,500</b>	<b>722,599</b>	<b>18,682,681</b>

Performing loans and advances include SAR 154,947 thousand that are delinquent but not impaired.

31<sup>st</sup> December 2019 (Audited)

SAR'000

	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	325,597	16,030,510	531,794	16,887,901
Non-performing loans and advances	-	1,400,588	620	1,401,208
Gross loans and advances	325,597	17,431,098	532,414	18,289,109
Allowances for expected credit losses	(826)	(790,081)	(7,760)	(798,667)
<b>Loans and advances, net</b>	<b>324,771</b>	<b>16,641,017</b>	<b>524,654</b>	<b>17,490,442</b>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)  
At 30<sup>th</sup> September 2020

7. **Loans and advances (continued)**

	30 <sup>th</sup> September 2019 (Unaudited)			
	SAR'000			
	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	565,538	15,077,320	440,355	16,083,213
Non-performing loans and advances	-	2,073,622	2,505	2,076,127
Gross loans and advances	565,538	17,150,942	442,860	18,159,340
Allowance for expected credit losses	(102)	(1,710,347)	(7,255)	(1,717,704)
Loans and advances, net	565,436	15,440,595	435,605	16,441,636

Performing loans and advances include SAR 497,452 thousand that are delinquent but not impaired.

8. **Customers' deposits**

	30 <sup>th</sup> September 2020 (Unaudited) SAR'000	31 <sup>st</sup> December 2019 (Audited) SAR'000	30 <sup>th</sup> September 2019 (Unaudited) SAR'000
Demand deposits	9,532,912	7,592,423	4,686,308
Saving accounts	606,966	90,049	174,219
Time deposits	9,177,693	13,773,492	14,039,685
Others	311,436	260,794	306,846
<b>Total customer deposits</b>	<b>19,629,007</b>	<b>21,716,758</b>	<b>19,207,058</b>

Time deposits include deposits taken under non-interest-based contracts of SAR 7,395 million (31 December 2019: SAR 13,043 million and 2019: 30 September 2019: SAR 12,504 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 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.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**  
**At 30<sup>th</sup> September 2020**

**9. Derivatives and foreign exchange instruments (continued)**

**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.

Derivative financial instruments	As at 30 <sup>th</sup> September 2020 (Unaudited) SAR'000			As at 31 December 2019 (Audited) SAR'000			As at 30 <sup>th</sup> September 2019 (Unaudited) SAR'000		
	Positive fair value	Negative fair value	Notional Amount	Positive fair value	Negative fair value	Notional Amount	Positive fair value	Negative fair value	Notional Amount
<b>- Held for trading</b>									
Commission rate swap	245,869	(249,023)	8,348,146	139,069	(140,424)	8,805,662	104,023	(99,755)	9,266,208
Currency swaps	17	(17)	75,008	398	(402)	233,261	484	-	245,521
Commission rate futures and options	46,412	(45,917)	1,830,326	19,857	(19,859)	2,496,920	83,954	(89,011)	2,547,210
Forward foreign exchange contracts	503	(422)	1,127,961	99	(813)	766,875	2,302	(1,976)	1,549,955
<b>- Held as fair value hedge</b>									
Commission rate swaps - loans	466	(37,395)	793,557	422	(14,000)	854,511	14	(19,103)	742,806
Commission rate swaps - deposits	634	(128)	1,093,293	1,114	(241)	3,252,136	2,524	(761)	4,538,193
<b>Total</b>	<b>293,901</b>	<b>(332,902)</b>	<b>13,268,291</b>	<b>160,959</b>	<b>(175,739)</b>	<b>16,409,365</b>	<b>193,301</b>	<b>(210,606)</b>	<b>18,889,893</b>

**10. Commitments and Contingencies**

	30 <sup>th</sup> September 2020 (Unaudited) SAR'000	31 <sup>st</sup> December 2019 (Audited) SAR'000	30 <sup>th</sup> September 2019 (Unaudited) SAR'000
Letters of credit	1,836,809	1,620,185	969,668
Letters of guarantee	8,215,683	8,196,102	8,181,124
Acceptances	697,667	330,939	505,663
Irrevocable commitments to extend credit	1,421,884	1,235,517	1,250,902
<b>Total</b>	<b>12,172,043</b>	<b>11,382,743</b>	<b>10,907,357</b>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)  
At 30<sup>th</sup> September 2020

11. Cash and cash equivalents

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

	<b>30<sup>th</sup> September 2020 (Unaudited) SAR'000</b>	<b>31<sup>st</sup> December 2019 (Audited) SAR'000</b>	<b>30<sup>th</sup> September 2019 (Unaudited) SAR'000</b>
Cash and balances with SAMA (excluding statutory deposit)	4,815,810	7,255,380	6,171,184
Due from banks and other financial institutions with original maturities of three-months or less	1,524,843	1,418,069	1,045,991
<b>Total</b>	<b>6,340,653</b>	<b>8,673,449</b>	<b>7,217,175</b>

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)  
At 30<sup>th</sup> September 2020

12. Fair value of financial instruments (continued)

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	
<b>At 30<sup>th</sup> September 2020 (Unaudited)</b>					
<b>Financial assets measured at fair value</b>					
Investments at FVTOCI	365,490	359,611	-	5,879	365,490
Investments in equity securities at FVTPL	210,788	210,788	-	-	210,788
Positive fair value of derivatives	293,901	-	293,901	-	293,901
<b>Financial assets not measured at fair value</b>					
Investments at amortized cost	2,382,685	-	99,988	2,338,526	2,438,514
Loans and advances, net	18,682,681	-	-	18,335,787	18,335,787
Cash and balance with SAMA	5,881,393	-	-	5,881,393	5,881,393
Due from banks and other financial institutions	1,554,861	-	-	1,554,861	1,554,861
Other financial assets	83,154	-	-	83,154	83,154
<b>At 31<sup>st</sup> December 2019 (Audited)</b>					
<b>Financial assets measured at fair value</b>					
Investments at FVTOCI	381,079	373,103	-	7,976	381,079
Investments in equity securities at FVTPL	203,621	203,621	-	-	203,621
Positive fair value of derivatives	160,959	-	160,959	-	160,959
<b>Financial assets not measured at fair value</b>					
Investments at amortized cost	2,192,423	-	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



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)  
At 30<sup>th</sup> September 2020

12. Fair value of financial instruments (continued)

	Carrying value	Fair value SAR'000			Total
		Level 1	Level 2	Level 3	
At 30 <sup>th</sup> September 2019 (Unaudited)					
Financial assets measured at fair value					
Investments at FVTOCI	103,478	94,761	-	8,717	103,478
Investments in equity securities at FVTPL	240,854	191,715	-	49,139	240,854
Positive fair value of derivatives	193,301	-	193,301	-	193,301
Financial assets not measured at fair value					
Investments at amortized cost	2,350,227	-	147,837	2,257,159	2,404,996
Loans and advances, net	16,445,112	-	-	16,389,264	16,389,264
Cash and balance with SAMA	7,090,235	-	-	7,090,235	7,090,235
Due from banks and other financial Institutions	1,001,163	-	-	1,001,163	1,001,163
Other financial assets	99,407	-	-	99,407	99,407

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 30 <sup>th</sup> September 2020 (Unaudited)					
Financial liabilities measured at fair value					
Negative fair value of derivative financial instruments	332,902	-	332,902	-	332,902
Financial liabilities not measured at fair value					
Customers' deposits	19,629,007	-	-	19,629,007	19,629,007
Due to banks and other financial institutions	1,895,843	-	-	1,895,843	1,895,843
Other financial liabilities	133,968	-	-	133,968	133,968
At 31 <sup>st</sup> December 2019 (Audited)					
Financial liabilities measured at fair value					
Negative fair value of derivative financial instruments	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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**  
**At 30<sup>th</sup> September 2020**

**12. Fair value of financial instruments (continued)**

	Carrying value	Fair value SAR'000			Total
		Level 1	Level 2	Level 3	
At 30 <sup>th</sup> September 2019 (Unaudited)					
Financial liabilities measured at fair value					
Negative fair value of derivative financial instruments	210,606	-	210,606	-	210,606
Financial liabilities not measured at fair value					
Customers' deposits	19,207,058	-	-	18,691,489	18,691,489
Due to banks and other financial institutions	357,657	-	-	357,657	357,657
Other financial liabilities	171,327	-	-	171,327	171,327

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 30 September 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 30 September 2020 is calculated on a weighted average basis by dividing the net income for the period by 750 million shares.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)  
At 30<sup>th</sup> September 2020

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:

	30 <sup>th</sup> September 2020 (Unaudited) SAR'000	31 <sup>st</sup> December 2019 (Audited) SAR'000	30 <sup>th</sup> September 2019 (Unaudited) SAR'000
<b>Risk-weighted exposure</b>			
Credit risk	26,015,542	24,422,063	24,229,581
Operational risk	951,591	761,032	761,032
Market risk	464,747	420,281	518,855
<b>Total risk-weighted exposure</b>	<b>27,431,880</b>	25,603,376	25,509,468
<b>Regulatory capital base</b>			
Tier I capital	7,271,211	7,506,879	7,501,887
Tier II capital	208,764	130,630	178,895
<b>Total regulatory capital base</b>	<b>7,479,975</b>	7,637,509	7,680,782
<b>Capital adequacy ratios</b>			
Tier I ratio	26.51%	29.32%	29.41%
Total ratio	27.27%	29.83%	30.11%

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**  
**At 30<sup>th</sup> September 2020**

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

The Coronavirus ("COVID-19") pandemic continues to disrupt global markets as many geographies are beginning to experience a "second wave" of infections despite having previously controlled the outbreak through aggressive precautionary measures such as imposing restrictions on travel, lockdowns and strict social distancing rules. The Government of Kingdom of Saudi Arabia ("the Government") however has managed to successfully control the outbreak to date, owing primarily to the effective measures taken by the Government, following which the Government has now ended the lockdowns and has begun taking phased measures to normalize international travel and resume Umrah pilgrimages.

The Bank continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the teething effects of which may be felt for some time, and is closely monitoring its exposures at a granular level. This has entailed reviewing specific economic sectors, regions, counterparties and collateral protection and taking appropriate customer credit rating actions and initiating restructuring of loans, where required.

The Bank has also revised certain inputs and assumptions used for the determination of expected credit losses ("ECL"). The revisions mainly revolved around:

- adjusting macroeconomic factors/inputs used by the Bank in its ECL model including observed default rates;
- revisions to the scenario probabilities; and
- refinement of staging criteria in light of the SAMA support measures and to effectively identify exposures where lifetime ECL losses may have been triggered despite repayment holidays.

However, the Bank has also recognised management overlays of SAR 29,200 thousand as at 30 September based on anticipated changes in the through-the-cycle probability of defaults.

**SAMA support programs and initiatives**

***Private Sector Financing Support Program ("PSFSP")***

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 launched by SAMA, the Bank was required to defer payments for six months on lending facilities to eligible MSMEs. The payment reliefs were considered as short-term liquidity support to address the borrower's potential cash flow issues. The Bank effected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9 as modification in terms of arrangement. This resulted in modification losses which have been presented as part of net financing income. The Bank continues to believe that in the absence of other factors, participation in the deferment programme on its own, is not considered a significant increase in credit risk.

Further to the above, on 1 September 2020, SAMA extended the deferred payments program by allowing additional three months payment deferrals for eligible MSMEs until 14 December 2020. The Bank has affected the payment reliefs by extending the tenure of the applicable loans granted with no additional costs to be borne by the customer. The accounting impact of these changes in terms of the credit facilities has been assessed and are treated as per the requirements of IFRS 9 as modification in terms of the arrangement. This resulted in the Bank recognizing an additional modification loss of SAR 3,922 thousand during the period ended 30 September 2020.

Since the inception of the deferred payments program by SAMA and by the end of Q3 2020, the Bank has recognised 26,391 thousand of related modification losses of which 13,671 thousand have been unwound.

In order to compensate the related cost that the Bank is expected to incur under the SAMA and other public authorities program, during the nine months period ended 30 September 2020 the Bank received profit free deposits from SAMA amounting to SAR 532,019 thousand with varying maturities, which qualify as government grants. Management has determined based on the communication from SAMA, that the government grant primarily relates to compensation for the modification loss incurred on the deferral of payments. The benefit of the subsidised funding rate has been accounted for on a systematic basis, in accordance with government grant accounting requirements. By the end of 30 September 2020, total income of SAR 26,391 thousand has been recognised in the statement of income and SAR 4,035 thousand deferred. The management has exercised certain judgements in the recognition and measurement of this grant income. During the nine months period ended 30 September 2020, SAR 5,819 thousand has been charged to the statement of income relating to unwinding.

As at 30 September 2020, the Bank is yet to participate in SAMA's funding for lending and facility guarantee programs.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (unaudited) (continued)**  
**At 30<sup>th</sup> September 2020****15. Impact of Covid-19 on expected credit losses ('ECL') and SAMA programs (continued)****SAMA liquidity support for the Saudi banking sector amounting to SAR 50 billion**

In line with its monetary and financial stability mandate, SAMA injected an amount of fifty billion riyals in order to:

- i. enhance the liquidity in the banking sector and enable it to continue its role in providing credit facilities to private sector companies;
- ii. restructure current credit facilities without any additional fees;
- iii. support plans to maintain employment levels in the private sector; and
- iv. provide relief for a number of banking fees that have been waived for customers.

In this regard, during Q2 2020, the Bank received SAR 948,463 thousand profit free deposit with one year maturity. Management has determined, based on the communication received from SAMA, that this government grant primarily relates to liquidity support. 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 11,645 thousand, of which SAR 3,882 thousand has been recognised in the statement of income as at September 30, 2020 and with the remaining amount deferred.

**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 Gregorian year, and the first fiscal period was from the date of commercial registration (i.e. 3 April 2019) to 31 December 2019. Therefore, the comparative figures cover the period from 3 April 2019 to 30 September 2019 only.

**17. Subsequent events**

Subsequent to period end, on 1 January 2021, the Bank acquired 100% of the issued shares in GIB Capital Company- A Saudi Closed Joint Stock Company, dealing as a principal and agent, underwriting, managing, arranging, advising and acting as custodian of financial securities, for a consideration of SAR 256.7 million. Due to this acquisition the Bank will be in a position to enter into business of financial securities business and reduce cost through economies of scale. The related legal formalities have been completed. There were no other significant events between the date of interim condensed financial statements authorization and date of interim condensed statement of financial statements which requires adjustments / disclosure in these interim condensed financial statements.

**18. Approval of interim condensed financial statements**

These interim condensed financial statements were approved by the Board of Directors on 22<sup>nd</sup> October 2020 (corresponding to 5<sup>th</sup> Rabi'l 1442H).