



GIB
جي آي بي ڪابيتال
CAPITAL

Board of Directors Report 2019G





Peace Be Upon You,

On my own behalf and on behalf of the members of the board of directors of GIB Capital, I would like to present to you the annual report of GIB Capital for the fiscal year ended 5 Jumada Al Awwal 1441H corresponding to 31 December 2019G. The report includes a brief overview of the company, its results and its most important developments and activities.

This report also includes the results of the annual audit and the financial indicators that highlight the financial performance in the fiscal year 2019G. The report also covers the final audited accounts, its explanations and the report of the external auditor for the fiscal year ended 5 Jumada Al Awal 1441H corresponding to 31 December 2019G.

Abdullah Bin Mohammed Al Zamil
Chairman of the Board





Table of Contents

Company Overview	6
Ownership and Capital Structure	7
Company Activities	8
Corporate Governance and Management	12
Board Members	14
Board Meetings in 2019G	18
Board of Directors Supervisory Committees	19
Compensation and Remuneration of Board Members and Senior Executives	24
Future Plans and Important Decisions	26
Material Variances in Operating Results	28
Overview of the Financial Highlights of the Company	30
Company Liabilities	34
Risk Management	35
Annual Audit Results	38
Adequacy of Internal Control System	43
Agreements with Related Parties	44
Regulatory Fines and Penalties	48
Acknowledgement	49



Company Overview

GIB Capital is a joint stock closed single shareholder company incorporated in 2008G. It operates under commercial registration No. 1010244294, dated 6 Safar 1429H, corresponding to 14 February 2008G and the Capital Market Authority License No. 07078-37, dated 8 Rajab 1428H, corresponding to 22 July 2007G.

Company Head Office and Branches

Head Office

Low Rise Building (B1), Granada Business and Residential Park, Eastern Ring Road, P.O. Box 89589, Riyadh, 11692, Kingdom of Saudi Arabia
Telephone +966 11 834 8400
Fax.: +966 11 511 2201

Dhahran Branch

Al Kifah Tower, King Fahad Road, P. O. Box 39268, Dhahran, 31942, Kingdom of Saudi Arabia
Telephone: +966 13 866 5881
Fax: +066 11 511 2201

Website: www.gibcapital.com



Ownership and Capital Structure

The company's authorized and paid-up capital as on 5 Jumada Al Awwal 1441H, corresponding to 31 December 2019G is two hundred million (200,000,000) Saudi Riyals divided into twenty million (20,000,000) nominal shares all of which are ordinary shares and of equal value of (10) Saudi Riyals per share. The owner has subscribed to the capital in full and the entire value of shares has been paid.

The following table shows the details of contribution to the capital:

Shareholders	No. of Shares	Nominal Value	Share Percentage
Gulf International Bank, B. S. C	20,000,000	200,000,000	100%



Company Activities

The company mainly provides a full range of financial services, including the following activities:

- Dealing as principal, agent and underwriter
- Arrangement
- Advisory
- Management of investment funds and clients' portfolios
- Custody

The following is a brief overview of the company's business departments that offer a variety of products and services that are designed to provide innovative investment and financial solutions to meet the needs of clients of the company:

Asset Management:

The company's Asset Management Department has a team with highly professional competencies and experience in the various categories of asset management. This makes the department highly capable of creating investment opportunities and innovative investment products to achieve clients' objective and obtaining rewarding long-term returns, while taking into account the appetite and ability of the client to take risks.

A relatively short period of time has elapsed since the establishment of the Asset Management Department, which began its operation in 2017G. However, the volume of assets managed at the end of 2019G was three billion and six hundred and seventy million (3,670,000,000) Saudi Riyals, compared to two billion and

seven hundred million (2,700,000,000) Saudi Riyals in the previous year 2018G. This indicates an increase of (36%), representing nine hundred and seventy million (970,000,000) Saudi Riyals, demonstrating the high capabilities that characterize the team and its relationship with clients based on mutual trust between the two parties.

In its pursuit to diversify its asset management product suite, the Asset Management Department has launched the GIB Middle East and North Africa Equity Opportunities Fund in order to meet the needs of individual and corporate investors. The fund aims at achieving vigorous medium and long-term capital growth in the shares of companies listed in the MENA region.

Investment Banking

GIB Capital is one of the leading investment banking companies and has a proven track record of achievements.

Equity Capital Markets

As a pioneer in providing investment banking services, GIB Capital has executed many deals within the Equity Capital Markets during the year 2019G with great success and professionalism. It has also played an important role in the largest deals ever in the history of capital markets in the Kingdom, through share issue, including initial public offerings, private placements and mergers and acquisitions.

The company's clients' list includes many commercial companies, financial institutions, government agencies and a number of family investment offices. The Capital Markets Unit of the company provides customized financial and investment solutions to meet the needs and objectives of clients.

Debt Capital Markets

Debt Capital Markets provides distinct experience and transactions to clients in all GCC countries. It has in-depth knowledge of the local market, international markets and long experience in the field of structuring, issuing and marketing of sukuk and bonds.

The company also provides a wide range of financial solutions to Debt Capital Markets equipped to meet the needs and objectives of clients, which include bonds and sukuk, convertible securities and credit rating consulting as well as other related services.

The company has played a prominent role and occupied a leading position in the classifications list of investment banks operating in debt issues at the regional level in general. This provides a clear indication of the company's position and its distinctive experience in the field.

Debt Advisory

Through the Debt Advisory Unit, the company provides a comprehensive range of advisory and debt financing solutions to its clients. A team of experienced professionals assist clients in addressing debt related issues and requirements, including collection of new debts for project development, restructuring of existing loans and financing of structuring and acquisition processes.

Our clients include regional public and private companies, private joint stock companies, financial institutions and governments. In addition, GIB Capital acts as an independent advisor to its clients. It provides neutral and independent advisory in our clients having flexible and cost-effective financing solutions.

Brokerage Management

On 15 Safar 1440H corresponding to 24 October 2018G, the company obtained the approval of the Capital Market Authority to start the activity of dealing as an agent. It has started to provide the dealing activity as an agent from 13 November 2018G corresponding to 5 Rabi' Al-Awal 1440H.

The brokerage team executes clients' orders to buy and sell shares in the Saudi Stock Exchange. The company has also launched a special online platform in the second half of 2019G to execute clients' orders to buy and sell in the Saudi Stock Exchange.

GIB Capital Brokerage Management Department transacted deals in the Saudi Market with a value of more than two billion and one hundred million Saudi Riyals, and opened more than 650 brokerage portfolios during 2019G.

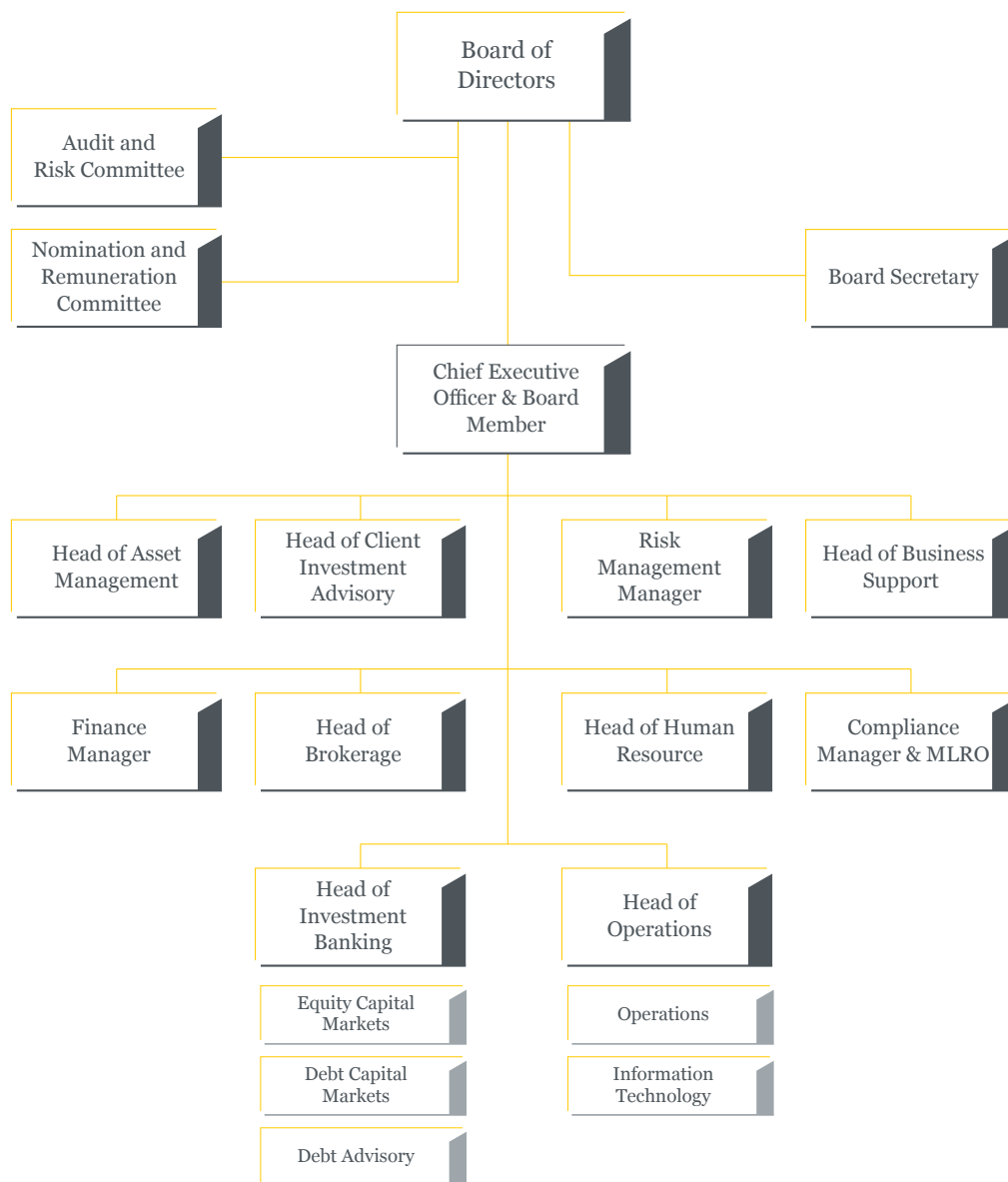


Corporate Governance and Management

GIB Capital pays great attention to maintaining the highest corporate governance standards and best practices due to the impact they have on increasing transparency and protecting the interests of owners and clients.

The company's management is overseen by a Board of Directors that consist of seven members. The board also has formed committees including the Audit and Risk Committee, and the Nomination and Remuneration Committee. These committees work under the supervision of the board to ensure their independence.

The following diagram shows the organizational and administrative structure of the company and clarifies the administrative chain of command in the company.



Board Members



Abdullah Bin Mohammed Al Zamil

Nationality: Saudi

Position: Chairman - Non-executive

Abdullah Al Zamil has a Bachelor of Science Degree in Industrial Engineering, University of Washington, USA, 1987G. He also has a Master of Business Administration, King Fahad University of Petroleum and Minerals, Dhahran, Kingdom of Saudi Arabia, 1993G.

- CEO and board member, Zamil Industrial Development Company
- Deputy Chairman, Gulf International Bank – Bahrain
- Board Chairman, Gulf International Bank – Kingdom of Saudi Arabia
- Board Chairman, Saudi Global Ports Company
- Board Member, Eastern Province
- Board Chairman, Dammam Airports Company
- Board Member, Al Rebaiaa and Al Nassar Company
- Chairman, Al Zamil Steel Holding Company
- Board Member, Dhahran National School
- Board Member, Gulf Insulation Group
- Board Member, Al Zamil Marine Services
- Board Member, Al Zamil Air Conditioners Company
- Board Member of the Advisory Council, Health Cluster, Eastern Province



John E. Xefos

Nationality: American

Position: Vice Chairman – Non-executive

John has a Bachelor Degree from Cornell University, USA, 1976G. He also has a Ph.D (JD) from the University of Pennsylvania, USA, 1980G.

- Member, American Bar Association
- Member, State of Illinois Bar Association, USA
- Board Member, Gulf International Bank – United Kingdom
- Member of the Advisory Council, Carnegie Center, Europe



Abdulaziz Bin Abdulrahman Al Helaissi

Nationality: Saudi

Position: Board Member – Non-executive

Abdulaziz has a Bachelor Degree in Economics, University of Texas, Austin, USA, 1989G.

- CEO and Board Member, Gulf International Bank – Bahrain
- CEO and Board Member, Gulf International Bank – KSA
- Board Member, Gulf International Bank, UK
- Member, Saudi Golf Federation
- Member, Saudi Golf Council
- Member, Advisory Council for Emerging Markets in the Institute of International Finance, USA



Abdulaziz Bin Abdullah AlNaim

Nationality: Saudi

Position: Board Member – Independent

Abdulaziz has a Bachelor Degree in Administrative Sciences, with a major in Finance and minor in Economics, Massachusetts Institute of Technology, USA. He also has a certified financial analyst (CFA) certificate, 2005G.

- Managing Partner, Board Member and Co-Founder, Mayar Capital
- Managing Partner, Board Member and Co-Founder, Mayar Capital Consultants
- Board Member and Partner, Mayar Fund Ltd.
- Board Member, Basic Chemicals Industries
- Board Member, Abdullah Al Dohayan and Sons Co. Ltd.
- Board Member, Abdulrahman Ali Al Turki Company for Trading and Contracting
- Managing Director, Board Member, Co-Founder, Fenayla Investment Co. Ltd.
- Board Member and Founder, Caledra International Holding Company Ltd.
- Board Member and Founder, D+3 Capital Ltd.
- Board Member and Founder, D+3 Asset Allocations International Fund
- Manager, Fund of Funds (Jada)



Bader Bin Abdulrahman AlSayari

Nationality: Saudi

Position: Board Member - Independent

Bader has a Bachelor Degree in Accounting, King Saudi University, Riyadh, Kingdom of Saudi Arabia, 1987G.

- Investment Manager, Awqaf Sulaiman Al Rajhi Holding Company
- Member, Investment Committee, General Organization of King Faisal Specialist Hospital – Wareef Charity
- Member, Investment Committee, National Housing Company
- Member, Investment Committee, Real Estate Development Fund
- Member, Investment Committee, King Salman Center for Disability Research
- Board Member, Al Wataniya Poultry – Egypt



Zaid Bin Abdulrahman AlGwaiz

Nationality: Saudi

Position: Board Member – Independent

Zaid AlGwaiz has a Bachelor Degree in Accounting, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1987G.

- Independent Board Member and Member of the Audit Committee, Bupa Arabia Cooperative Insurance Company
- Independent Board Member, Member of the Executive Committee and Chairman of the Nomination and Remuneration Committee, National Commercial Bank
- Chairman, Assets and Liabilities Committee and Chairman of Risks Committee, MASIC
- Chairman of Audit Committee, Noon Investment Company



Osamah Bin Mohammed Shaker

Nationality: Saudi

Position: Board Member- Executive

Osamah has Bachelor Degree of Science in Administrative Sciences , with specialty in Quantitative Methods, King Saud University, Riyadh, Kingdom of Saudi Arabia, 1987G. He also has a Master's Degree of Science, with specialty in Statistics, Colorado State University, Fort Collins City, State of Colorado, USA, 1993G.

- Board Member, Alargan Real Estate Development Company
- Member, Investment Committee, Saudi Society for Attention Deficit and Hyperactive Disorder
- Member, Investment Committee, Bupa Arabia Cooperative Insurance Company

In addition to the above, we would like to mention that Mr. Bader Bin Abdulrahman Alsayari has joined the company board as an independent member, following the approval of the Capital Market Authority of his appointment on 27 Jumada Al Awal, corresponding to 5 January 2019G.

In addition, Mr. Zaid Bin Abdulrahman AlGwaiz joined the company board as an independent member, following the approval of the Capital Market Authority of his appointment on 6 Dhu Al Hejjah 1440H corresponding to 8 August 2019G.

Board Meetings in 2019G

The company board held four meetings during the fiscal year ended 31 December 2019G, as shown in the table below:

Names of attending members	4 March	20 May	26 September	18 December
Abdullah Bin Mohammed Alzamil	✓	✓	✓	✓
John E. Xefos	✓	✓		✓
Abdulaziz Bin Abdulrahman Alhelaissi	✓	✓	✓	✓
Abdulaziz Bin Abdullah Alnaim	✓	✓	✓	✓
Bader Bin Abdulrahman Alsayari	✓	✓	✓	✓
Zaid Bin Abdulrahman AlGwaiz	NA	NA	✓	✓
Osamah Bin Mohammed Shaker	✓	✓	✓	✓



Board of Directors Supervisory Committees

Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three non-executive members. The Chairman and members of the committee are appointed by the company's board.

The Nomination and Remuneration Committee reviews issues related to nominations, salaries and remunerations and provide advice thereon to the company's board.

The committee's responsibilities include, but are not limited to the following:

- Identifying and evaluating the skills and competencies required for members of the board, committees and executive management
- The annual assessment of the availability of the required skills and competencies required for the members of the board and executive management
- Establishing procedures to review the performance of directors on individual basis and performance of the board as a whole
- Establishing procedures to review the performance of senior executives on individual basis and the performance of the executive management as a whole
- Establishing procedures for identifying candidates suitable for appointment in the board, committees and executive management
- Identifying and submitting recommendations with respect to persons who are qualified to become members of the board or executive management
- Developing a succession plan for the company's board and executive management
- Submitting a job description to executive, non-executive and independent members of the company's board and executive members
- Reviewing the company's policy in identifying remunerations and incentives of the company's board members and senior executives as well its employees and submitting recommendations thereon to the board, taking into account applicable regulatory guidelines
- Reviewing the extent of appropriateness and importance of the remunerations policy and other executive benefits programs of the company
- Developing the salary review mechanism of the company
- Overseeing the implementation of the remunerations policy within the company.

The committee held two meetings during the fiscal year ended 31 December 2019G.

The table below shows a list of committee members, their positions, dates of meetings and committee meetings attendance record:

Names of Attending Members	Position	4 March	12 December
Abdulaziz Bin Abdullah Alnaim	Chairman – Independent	✓	✓
Abdulaziz Abdulrahman Alhelaissi	Member – Non-executive	✓	✓
Hind Bint Khaled AlZahid	Member – Independent	✓	✓

Audit and Risk Committee:

The Audit and Risk Committee consists of three non-executive members. The committee chairman and members were appointed by the company's board and the appointment was approved by the general assembly of the company.

In general, the Audit and Risk Committee mainly reviews all issues related to internal controls, risk management, financial statements, internal and external audit, compliance with internal and external regulations and laws, size of risks and the level of their acceptance. It also provides advice to the board on these issues.

The committee's responsibilities include, but are not limited to the following:

- Overseeing the development of comprehensive risk management strategy and policies and reviewing and updating them based on the company's changing internal and external factors, and providing recommendations in this regard to the company's board
- Overseeing the risk management system and evaluating the effectiveness of the systems and mechanisms of identifying and monitoring risks that are faced by the company
- Receiving and reviewing reports on the company's exposure to credit risks, market risks, liquidity risks, operational risks and capital adequacy (where appropriate) for the period under review
- Examining the effectiveness of the company's internal control system, including controls on financial reporting to prevent and detect fraud and error, information security, controls, and service level agreements
- Annually reviewing the applicable accounting policies, key issues related to accounting principles and financial statements and advising the company's board on any recommendations in this regard
- Annually reviewing with management and external auditors of the results of periodic review processes
- Overseeing the activities and performance of external auditors and reviewing the annual audit plan and scope
- Overseeing the Internal Audit Department, reviewing the reports submitted by the department, and following up on the implementation of corrective measures in relation to the observations stated in the submitted reports
- Reviewing the efficiency of control systems in compliance with the regulations and laws and reviewing the results of tests and audits carried out by the Compliance Department, the Money Laundering Reporting Officer as well as any external regulatory bodies
- Evaluating the company's ability to endure risks and its related exposure, ensuring the existence of an acceptable level of risks that the company may encounter provided this level is not exceeded and reviewing the reports related thereto as well as measures recommended to manage these risks

The Audit and Risk Committee held four meetings during the fiscal year ended 31 December 2019G. The table below shows a list of committee members, their positions, dates of meetings and committee members attendance record:

Names of Attending Members	Position	Dates of Meetings			
		3 March	20 May	19 September	3 December
Zaid Bin Abdulrahman AlGwaiz	Chairman – Independent			✓	✓
Hassan Mahmoud Almulla	Member – Non-executive	✓	✓	✓	✓
Sultan Abdulaziz Almedbal	Member – Independent	✓	✓		✓

It should be noted here that Mr. Zaid Bin Abdulrahman AlGwaiz was appointed as Chairman of the Audit and Risk Committee by a decision of the company's board. This decision was approved by the extraordinary general assembly held on 15 Ramadan 1441H corresponding to 20 May 2019G.



Compensation and Remuneration of Board Members and Senior Executives

The remuneration and allowances of board members were determined based on what has been agreed upon in the appointment contract for each board member. Salaries and wages were paid to the executive management, per the employment contracts agreed with them. This is in addition to performance-related annual remunerations based on the recommendations of the Nomination and Remuneration Committee and approval of the board.

The following table shows the total remuneration and compensation paid to board members and senior executives of the company:

Description	Board Executive Members	Board Non-Executive Members/ Independent Members	Six Senior Executives who received the highest remunerations and compensations, including CEO and Finance Officer
Salaries and Wages	-	-	6,324,780
Allowances	-	105,000	3,278,860
Periodic and Annual Remunerations	-	651,288	7,535,000
Incentivizing Plans	-	-	-
Commissions	-	-	-
Compensations and Privileges in-kind	-	-	-

It is worth mentioning here that it has been agreed between the company and executive board member, Mr. Osamah Bin Mohammed Shaker, that he shall not receive any compensation or remuneration for his board membership since he is the Chief Executive Officer of the Company.

A low-angle, black and white photograph of several tall skyscrapers reaching towards the sky. The perspective creates a sense of height and scale, with the buildings' facades and window grids clearly visible. A bright yellow vertical bar is positioned on the left side of the page, partially overlapping the text.

Future Plans and Important Decisions

Company Management

On the 18 Ramadan 1440H corresponding to 22 May 2019G and after taking all necessary procedures and regulatory approvals, the number of company's board members was changed from six members to seven members. They shall be elected by the shareholders / owner's ordinary general assembly for a period not exceeding three years.

Asset Management

During 2020G, the company will focus on expanding and diversifying the customer base and assets under management. This shall be through attracting additional assets to the Asset Management's diversified products which include equities, bonds and multiple assets that are managed in the Gulf and Arab markets as well as the Saudi market.

Brokerage Management

GIB Capital Brokerage management team is working on introducing new products including, but not limited to, opening new trading markets to clients and introducing the Sharia-compliant marginal lending product, which is traditional to bank's clients. The team is also working at present in developing an integrated platform for the electronic onboarding of clients in cooperation with the Retail Banking Services at GIB (Meem).

Information Technology

The Information Technology Department is now developing and updating the entire IT infrastructure of the company, in line with the cyber security requirements.

The company is also keen to ensure the readiness and safety of all devices and automating operating systems to reduce occurrence of human errors, contributing to improving productivity and quality enhancement.



Material Variances in Operating Results

Asset Management

Asset Management revenues increased in 2019G at more than twelve (12.4%) percent to reach twenty million one hundred and seventy-eight thousand (20,178,000) Saudi Riyals compared to seventeen million nine hundred and fifty-one thousand (17,951,000) Saudi Riyals in 2018G. This positive variance is due to the newly established Asset Management product, development of its business and expansion of its customer base.

Investment Banking

The Investment Banking Department revenues increased in 2019G at more than ninety-five (95.47%) percent to reach forty-three million four hundred and seventy-three thousand (43,473,000) Saudi Riyals compared to twenty-two million two hundred and forty thousand (22,240,000) Saudi Riyals in 2018G.

This increase in revenues is due to the recovery of equity capital markets and debt capital markets in general in addition to the completion of some deals that were in progress since 2018G.



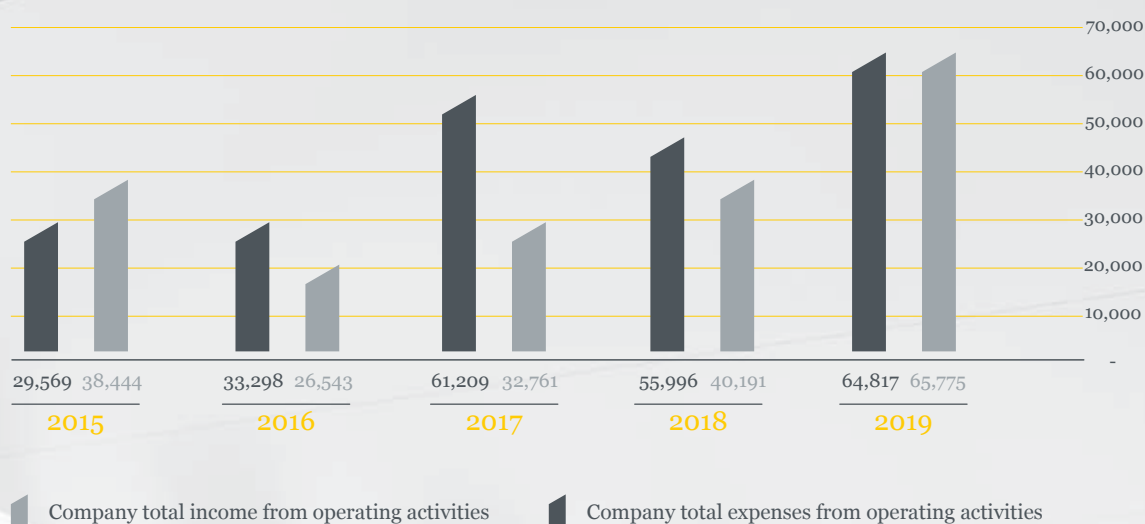
Overview of the Financial Highlights of the Company

Income and Expenses from Operating Activities

The total income from operating activities for the fiscal year ended 31 December 2019G was SAR 65.8 million, compared to SAR 40.2 million for the fiscal year ended 31 December 2018G, registering a growth of around 64%.

On the other hand, the expenses from operating activities increased to reach SAR 64.8 million for the fiscal year ended 31 December 2019G compared to SAR 56 million for the fiscal year ended 31 December 2018G.

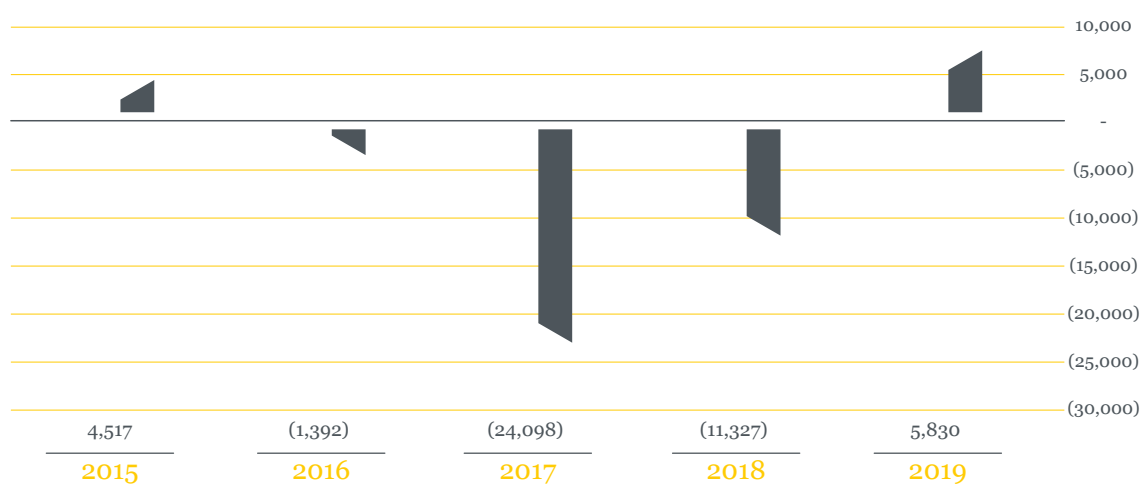
Income and Operating Expenses (Thousands SAR)



Company Net Profit (Loss)

The company achieved a net profit of SAR 5.8 million for the fiscal year ended 31 December 2019G, compared to a net loss of SAR 11.3 million for the fiscal year ended 31 December 2018G.

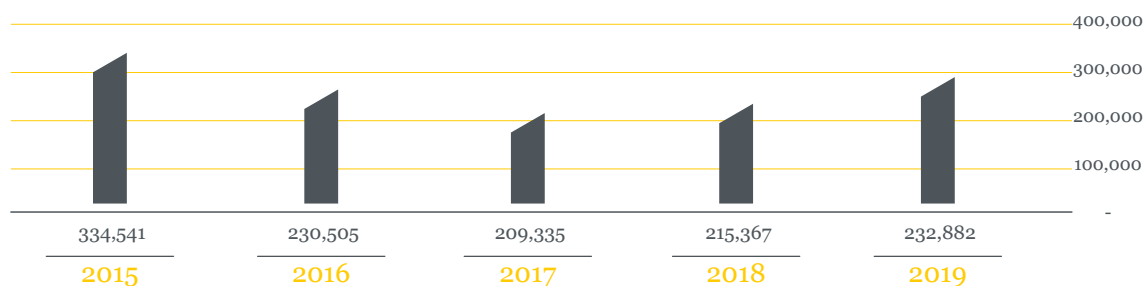
Company net Profit (Losses) (Thousands SAR)



Total Assets

Total assets stood at SAR 232.9 million at the end of the fiscal year ended 31 December 2019G, compared to SAR 215.4 million at the end of the fiscal year ended 31 December 2018G.

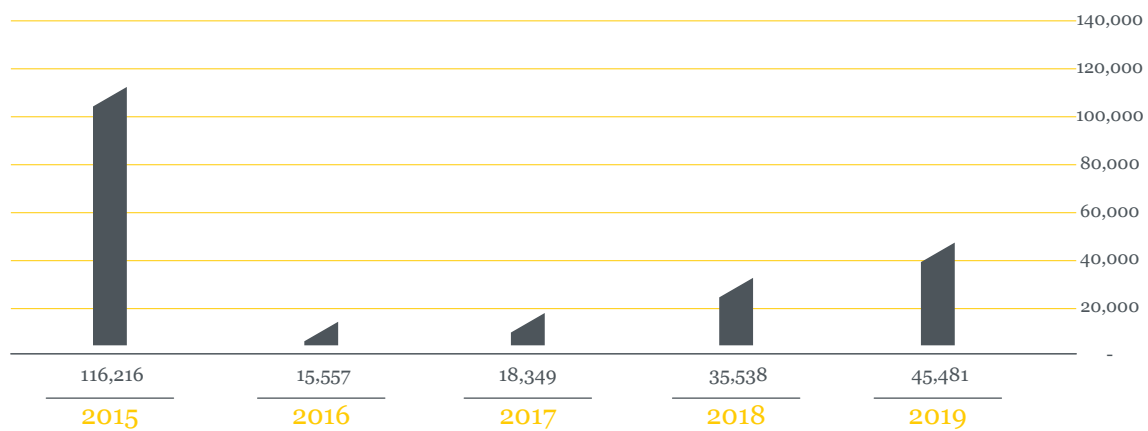
Total Assets (Thousands SAR)



Total Liabilities

Total liabilities were SAR 45.5 million at the end of the fiscal year ended 31 December 2019G, compared to SAR 35.5 million at the end of the fiscal year ended 31 December 2018G.

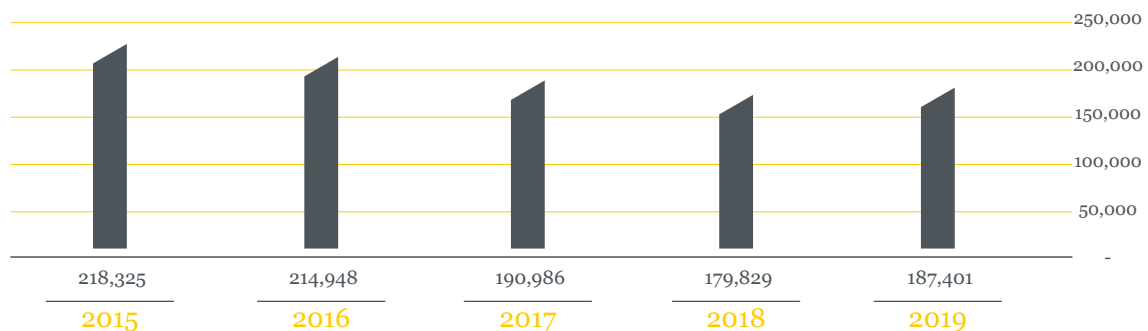
Total Liabilities (Thousands SAR)



Total Shareholders' Equity

Total shareholders' equity stood at SAR 187.4 million at the end of the fiscal year ended 31 December 2019G, compared to SAR 179.8 million at the end of the fiscal year ended 31 December 2018G.

Total Shareholders' Equity (Thousands SAR)





Company Liabilities

Loans

There are no loans, whether payable on demand or otherwise for GIB Capital. In addition, there were no loan payables due during the year.

Statement of Company Indebtedness

Total liabilities of the company at the end of the fiscal year 2019G stood at forty-five million and four hundred and eighty-one thousand (45,481,000) Saudi Riyals, divided into:

- Current liabilities in the amount of thirty million six hundred and seventy-seven thousand (30,677,000) Saudi Riyals, including accrued expenses and other current liabilities.
- Non-current liabilities in the amount of fourteen million eight hundred and four thousand (14,804,000) Saudi Riyals, including employees' end of service benefits and other non-current liabilities.



Risk Management

Risk management is a key element of the company's business. In addition to the practical approach, the company in this field relies on the concept of creating and promoting a culture of risk management to raise awareness of its importance at the different administrative levels in the company.

The company pursues a disciplined approach by maintaining a set of policies and procedures that apply on all the activities of the company, in line with the company's business policies. An appropriate framework is in place for management and control of those activities in general. The company also takes systematic practical steps to identify, monitor, control and report risks of all types which the company is or is likely to be exposed to depending on the nature and type of each activity undertaken regularly by the company.

Reputational Risks

The company pays special attention to reputational risks as it may result in a significant adverse impact in the event of not gaining customers' confidence, which results in reducing future business expansion opportunities. The company has worked over the years to build up its name as market leader in the investment industry. The company has adopted best local and international policies and standards and attracted talents with relevant and practical experiences to maintain the name and position of the company in the local investment market. It has also worked diligently to ensure compliance with all laws and regulations issued by relevant authorities.

Market Risks

Market risks means the risk of the fair value or change in future cash flows resulting from changes in prevailing market rates and prices such as fluctuations in interest rates, currency exchange rates as well as fluctuations in share prices.

GIB Capital monitors this type of risks by periodically analyzing their effects and measuring the capital requirements arising from each of the elements of market risks. The company also has a policy of holding deposits for short terms to mitigate the effects of this type of risks.

Operational Risks and Business Continuity Management

The Operational Risks and Business Continuity Management is responsible for developing the operational risks framework and ensuring that the company can forecast, respond and adapt to any increase in sudden changes and disturbances. The Operational Risks and Business Continuity Management is divided into two main units:

Operational Risks:

Operational risks are the risks of losses arising from inadequacy or failure of company's systems or employees to perform the assigned work. This is in addition to the absence or inaccuracy of the required disclosure of data in a timely and appropriate manner or failure to comply with the relevant regulatory requirements. The company has applied controls on these risks that are constantly monitored by qualified and experienced employees. Given the size and nature of the business, preparations, and policies established for any possibility in this respect, the company's management believes that the operational risks are well and efficiently managed in commensurate with the current activities of the company.

Business Continuity Management:

The business continuity program aims at maintaining operational resilience of the company and enhancing its readiness to deal with various emergency situations. To this end, the company maintains various policies and procedures including, without limitation, plans to ensure business continuity, procedures to deal with accidents and emergencies, a business recovery strategy, ensuring continuity of core operations of the departments and support functions, as well forming a framework for business continuity management. To ensure the adoption of the general framework for business continuity at the company level, the company has established a steering committee to manage business continuity in order to develop, implement and follow up a program for business continuity.

Liquidity Risks

Liquidity risks are the risks that result from non-availability of enough funds required to meet the company's financial obligations as they fall due. These risks may arise from timing differences between maturity dates of the company's assets and liabilities.

Since the company has a highly liquid balance sheet, the company is able to cover all of its obligations with ease. In its liquidity risks management policy, the company relies on the development of several different scenarios of liquidity shortfalls. Based on those scenarios, the company works to determine the minimum liquidity required, taking into account the type and size of its liabilities.

Credit Risks

Credit risks are the financial losses arising from the failure of the client or counterparty to fulfill its contractual and financial obligations, which GIB Capital may be exposed to.

GIB Capital has developed policies and procedures to mitigate credit risks. In addition, the company complies with the Capital Market Authority requirements to use the rating agencies to determine the appropriate risk weight for exposure to this type of risks as well as every possible source that may result in this type of risk.



Annual Audit Results

In light of the importance of implementation of the laws and regulations stipulated by regulators, procedures and policies followed in the company, the company carries out an internal audit of the business units and supporting units in the company, taking into account the nature and size of the company's businesses.

The internal audit in 2019G covered the following units and activities:

1. Anti-money Laundering
2. Compliance
3. Corporate Governance
4. Valued Added Tax (VAT)
5. Brokerage Services
6. Corporate Finance and Debt Structuring Advisory Unit
7. Asset Management
8. Information Technology Unit

Anti-Money Laundering

The scope of audit of the anti-money laundering activities included testing of fields related to opening, maintaining and controlling of the various accounts of clients. Internal control systems of business were tested and evaluated based on taking and examining random samples. The audit covered the period from 25 Shawwal 1439H corresponding to 9 July 2018G to 6 Dhu Al-Qi'dah 1440H corresponding to 9 July 2019G.

No evidences of money-laundering activities were found as a result of this audit carried out by the Internal Audit Unit. The evaluation of the records and internal procedures that govern the commitment to combat money laundering and compliance with the regulations and laws issued by the Capital Market Authority was satisfactory.

Compliance

The scope of audit included adherence to the regulatory requirements issued by the Capital Market Authority and verification of internal control systems. The audit covered the period from 23 Shaban 1439H, corresponding to 9 May 2018G to 2 Rajab 1440H, corresponding to 31 March 2019G.

The evaluation carried out by Internal Audit on the controls, procedures and internal control systems was generally satisfactory.

Corporate Governance

The scope of audit included corporate governance activities and ensuring the company's compliance with the regulatory requirements in this regard. The audit covered the period from 23 Shaban 1439H, corresponding to 9 May 2018G to 2 Rajab 1440H, corresponding to 31 March 2019G.

The evaluation carried out by the Internal Audit Unit on the corporate governance framework was satisfactory.

Value Added Tax (VAT)

The scope of internal audit included the company's value added tax related activities in terms of verification of internal control systems. The audit covered the period from 23 Shaaban 1439H corresponding to 9 May 2018G to 2 Rajab 1440H corresponding to 31 March 2019G. Compliance and material tests were carried out as necessary regarding performance of the key controls and processing of transactions during the audit period based on random sampling and examination.

The evaluation carried out by the Internal Audit Unit on valued added activities, related controls and procedures was satisfactory.

Brokerage Services

The scope of internal audit that took place on 7 Ramadan 1440H corresponding to 12 May 2019G covered the activities related to the brokerage trading room and the operations department concerned with operational processing and settlement of transactions. This was the first audit of the company's Brokerage Department since it is a newly established department. Compliance and material tests necessary to the main controls performance to process transactions were carried out based on random sampling and examination.

The evaluation carried out by the Internal Audit Unit on internal control procedures and systems for both the brokerage room and the operations department concerned with the processing and settlement of brokerage operations was satisfactory.

Corporate Finance and Debt Structuring Advisory Unit

The scope of audit covered business activities of the Corporate Finance and Debt Structuring Advisory Unit, which included mergers and acquisitions, capital increase by issuing shares or debt through private placements or initial public offerings as well as debt structuring advisory. The internal control of operations in this field was evaluated covering the period from 25 Rabie Al-Akher 1439H corresponding to 31 January 2018G until 7 Ramadan 1440H corresponding to 15 May 2019G.

The evaluation carried out by the Internal Audit Unit on internal control procedures and systems was satisfactory.

Asset Management

The scope of audit covered business activities provided by the Asset Management, which include managing Mutual Funds and Discretionary Portfolio Management. The applicable control systems were evaluated, and compliance and material tests necessary for the performance of key controls and transactions processing were carried out. This was based on random sampling covering the period from 6 Shaaban 1439H corresponding to 22 April 2018G until 7 Ramadan 1440H corresponding to 12 May 2019G.

The evaluation carried out by the Internal Audit Unit on control and procedures in Asset Management was satisfactory.

Information Technology Unit

The scope of audit included testing of the key functions and operations in the Information Technology Unit, commensurate to the size of the company's Information Technology and systems and infrastructure. These key functions and operations are as follows:


1. Operations and centralization of information
2. Adjustment of settings
3. Help Desk Administration
4. Information Security
5. Information Management

The internal control systems in this area were evaluated for the period ended 6 Rabie Al-Akher 1439H corresponding to 23 December 2018G. The report of the Internal Audit Unit was not issued until 5 Rajab 1440H corresponding to 17 March 2019G. The evaluation carried out by the internal Audit on the Information Technology and Systems and their applications was unsatisfactory.

It is worth mentioning that the Internal Audit Unit during 2019G was constantly reviewing the developments in the activities of Information Technology Unit and updating all the observations that were included in its last report.

Description of the criteria of Internal Audit Department evaluation of the internal control procedures and systems of the unit are as follows:

Evaluation	Description
Satisfactory	<p>The internal control system is generally adequate and effective</p> <ul style="list-style-type: none"> - Risks are managed effectively - The system provided reasonable assurance that anticipated objectives of internal control are being achieved - All observations were classified as “low” risks - Observations classified as “high” / “medium” risks, but in areas that are not considered major risks with minimum effect.
Generally Satisfactory	<p>Generally, the internal control system is considered adequate and effective. However, weaknesses in the control system were observed</p> <ul style="list-style-type: none"> - Key risks are managed effectively - The system provided reasonable assurance that the anticipated objectives of internal control are being achieved - Observations were classified as “high” / “medium” risks in policies, procedures, controls, or otherwise and are considered as major risks with minimum effect
Generally Unsatisfactory	<p>Generally, the internal control system is partially adequate with significant weaknesses</p> <ul style="list-style-type: none"> - The objectives of internal control system have not been fully achieved - The key risks have not been effectively controlled - Observations were classified as “high” risks identified weaknesses or deficiencies and requires the attention of Senior Management and the Internal Audit Committee
Unsatisfactory	<p>Generally, the Internal Control System is inadequate and ineffective</p> <ul style="list-style-type: none"> - The anticipated objectives of internal control system have not been achieved and the key risks have not been managed - Observations within the internal control environment have a material impact on the financial statements and operating capacity - The situation requires immediate attention from the Senior Management and Internal Audit Committee



Adequacy of Internal Control System

The Audit and Risk Committee continuously reviews the internal audit reports and follows up on the implementation of corrective actions contained in those reports. It also studies and reviews the internal and financial control systems and risk management in the company and oversees the company's compliance with the relevant laws, regulations, policies and instructions.

Accordingly, and in line with the Audit and Risk Committee understanding of the company's internal control systems, based on the periodic reports and information submitted to the said committee during the fiscal year 2019G, and since no material failures requiring disclosure were found in the internal control systems and procedures, the Audit and Risk Committee is of the opinion that the company's internal control systems are effective.



Agreements with Related Parties

Lease Contracts

Gulf International Bank has sub-leased several locations to GIB Capital as offices and headquarters to conduct company's businesses. These contracts are explained as follows:

- Renting the fourth floor in Building No. (B1) in Granada Residential and Business Park located on the eastern ring road in the city of Riyadh. The area of the leased property is five hundred and fifty (550) square meters.

It has been agreed that the contract term shall be five years, from 01/04/2018G until 31/03/2023G. The value of the annual rental contract for the leased property is eight hundred eighty thousand eight hundred and eighty (880,880) Saudi Riyals only.

- Renting the third floor in Building No. (B1) in Granada Residential and Business Park located on the eastern ring road in the city of Riyadh. The area of the leased property is five hundred and fifty (550) square meters.

It has been agreed that the contract term shall be five years, from 01/04/2018G until 31/03/2023G. The value of the annual rental contract for the leased property is eight hundred eighty thousand eight hundred and eighty (880,880) Saudi Riyals only.

- Based on the prior agreement on the provision of a grace period by the Gulf International Bank so that GIB Capital can decide on the feasibility of maintaining the company's office in the city of Dhahran or move to another location, it has been agreed between GIB Capital and Gulf International Bank that the company will reduce the size of the office located in Al Kifah Commercial Tower located on King Fahad Road (Dammam – Al-Khobar Highway) in the city of Dhahran, to an office with an area of thirty (30) square meters and an annual rental amount of thirty-nine thousand three hundred thirty (39,330) Saudi Riyals only. The lease period will start as of 01/01/2020G until 31/12/2021G.

It is worth mentioning here that all lease contracts are subject to general conditions applicable on lease contracts, including but not limited to:

- Rentals and any other payables shall be made in time without delay
- The subleased property should be handed over in the same condition it has been received.
- All sub-lessor obligations shall be carried out and sub-lessor shall enjoy all his rights under the main lease contract.
- No additions or amendments to the contracts shall be made without the prior written consent of all parties.
- Any dispute, difference, or claim arising out of or relating to these contracts, their breach, termination, existence or validity shall be subject exclusively to the authorities of competent jurisdiction in the Kingdom of Saudi Arabia.

Service Provision Agreement

Gulf International Bank as an external party has been appointed by GIB Capital to provide support and services to GIB Capital. These services include the following:

1. Human Resource Management
2. Accounting and Administrative Affairs Management
3. Operations Management
4. Internal Audit Management
5. Information Technology Support and Management
6. Legal Affairs Management
7. Risk Management
8. Communication and Media Management

It has been agreed that the contract term shall be one year as of 28 Safar 1435H corresponding to 1 January 2014G. The contract shall be renewed automatically upon expiry of its term unless canceled by any of the parties.

It is worth noting here that the scope of services provided by Gulf International Bank to GIB Capital was modified on 30 Jumada Al Awwal 1435H corresponding to 01 April 2014G. Additional services were added to include the scope of work of Legal Affairs Management, Risk Management and Communication and Media Management. As such, all the above-mentioned services are covered.

On 20 Rabie Al Awwal 1437H corresponding to 01 January 2016G, it was also agreed between GIB Capital and Gulf International Bank to identify and specify the type of services provided by Gulf International Bank to GIB Capital with respect to Information Technology.

An amount of two hundred and forty thousand (240,000) Saudi Riyals is paid annually to Gulf International Bank against the support services provided to the company through the agreement concluded between the two parties.

It is of particular notice to mention here that the service provision agreement and the subsequent amendments and explanations thereto as shown above are in effect as at the end of 2019G.

Cash and Deposits

Gulf International Bank is the principal bank of GIB Capital through which the company carries out most of the banking transactions and services. As shown in the audited financial statements for the fiscal year ended 5 Jumada Al Awwal 1441H corresponding to 31 December 2019G, the company maintains an amount of approximately nine million one hundred and twenty four thousand (9,124,000) Saudi Riyals as bank balances and an amount of one hundred and sixty-eight million (168,000,000) Saudi Riyals as short term deposits with Gulf International Bank.

Other Transactions with Related Parties

Gulf International Bank provided services to GIB Capital during the year ended 5 Jumada Al Awwal 1441H corresponding to 31 December 2019G. An amount of two million and eleven thousand (2,011,000) Saudi Riyals was charged to the company as allocation shared service cost.

GIB Capital also provided investment banking services to Gulf International Bank clients on behalf of the bank against fees to be agreed upon with Gulf International Bank. The fees will be calculated on an individual service basis pursuant to the agreement signed between the parties on 23 Rabie Al Awal 1436H corresponding to 14 January 2015G. Provision of these services resulted in a return to GIB Capital in the amount of three million, one hundred and forty four thousand and three hundred and seventy-five (3,144,375) Saudi Riyals for the year 2019G.

GIB – United Kingdom, based on its long experience, has been appointed as an advisor to assist the company in developing its capabilities to manage static equity strategies. The company, in return, shall pay a percentage of the administrative fees resulting from managing the static strategies to GIB - United Kingdom in exchange for the advisory services provided.

Unless otherwise mentioned above, there are no businesses or contracts between GIB Capital and any person related to the company. There are also no such businesses and contracts with any of the company's board members, Chief Executive Officer, Finance Manager, company executives, or any person related to any of them.



Regulatory Fines and Penalties

On 25 Safar 1441H corresponding to 25 September 2019G, the Capital Market Authority Board imposed a fine on GIB Capital in the amount of fifty thousand (50,000) Saudi Riyals due to the company's acceptance to execute a client's order on a negotiated deal. Acceptance of the deal resulted in violation of paragraph (5) under Article Twelve of the Regulatory Controls and Procedures issued in implementation of the Companies' Law for listed joint-stock companies. This is a breach of subparagraph (3) of subparagraph (a) of Article Eleven of the Market Conduct Regulations.

Appropriate measures were taken through applying the controls required to prevent such error in the future.



Acknowledgement

The Board of Directors of GIB Capital takes this opportunity to express its sincere thanks and gratitude to the Capital Market Authority for its significant effort exerted in regulating and developing the financial market in the Kingdom of Saudi Arabia. This is in addition to its pioneering role in promoting and consolidating the foundations and standards of a sound investment culture in each of the companies operating in the Kingdom and their employees as well as providing a favorable investment climate, bolstering investors' confidence in this climate and protecting them from wrong practices.

We would like also to extend our sincere thanks to our valued customers, for the trust they vested in our company. Our appreciation goes also to all employees of the company for their continuous efforts and fruitful cooperation.

May Allah grant us success



GIB

جي آي بي ڪاپيٽل
CAPITAL

www.gibcapital.com