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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three-month period ended 31 March 2021 (Unaudited)

GiB

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(Certified Public Accountants)
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Commercial Registration No. 2051062328

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

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Gulf International Bank – Saudi Arabia, a Saudi Closed Joint Stock Company (the "Bank") and its subsidiaries (collectively referred to as the "Group") as at 31 March 2021, and the related interim consolidated statements of income and comprehensive income for the three-month period ended 31 March 2021,and the interim consolidated statements of changes in equity and cash flows for the three-month period ended 31 March 2021, and other explanatory notes (collectively referred to as "the interim condensed consolidated financial statements").

Management is responsible for the preparation and fair presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*, 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 consolidated 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 16 to the accompanying interim condensed consolidated financial statements. As part of our review, we compared the information in Note 16 to the relevant analysis prepared by the Bank for its submission to SAMA and found no material inconsistencies.

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29 Shawwal 1442H
10 June 2021

ERNST & YOUNG & Co. (CERTIFIED PUBLIC ACCOUNTANTS)
PROFESSIONAL LICENSE No. 45

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Interim consolidated statement of financial position
As at

	Note	31 March 2021 (Unaudited) SAR' 000	31 December 2020 (Audited) SAR' 000	31 March 2020 (Unaudited) SAR' 000
ASSETS				
Cash and balances with Saudi Central Bank (SAMA)		**7,086,377**	8,924,059	8,079,348
Due from banks and other financial institutions		**735,333**	1,267,331	2,755,089
Investments held at fair value through statement of income	6	**255,381**	224,465	158,391
Investments held at fair value through other comprehensive income	6	**300,314**	370,052	301,800
Investments held at amortised cost, net	6	**4,340,416**	2,566,536	2,316,843
Positive fair value of derivatives	9	**238,995**	284,991	313,558
Loans and advances, net	7	**20,712,808**	18,786,117	17,562,696
Property and equipment, net		**68,772**	65,820	75,201
Right-of-use assets, net		**214,581**	217,943	233,564
Intangible assets, net		**47,765**	47,036	57,209
Other assets		**133,634**	152,420	149,179
Total assets		**34,134,376**	32,906,770	32,002,878
LIABILITIES AND EQUITY				
Liabilities				
Due to banks and other financial institutions		**1,674,995**	2,320,715	848,018
Customers' deposits	8	**24,281,505**	22,368,371	22,803,804
Negative fair value of derivatives	9	**287,197**	324,578	351,769
Government grants		**16,923**	23,182	-
Lease liabilities		**189,311**	213,278	224,408
Other liabilities		**627,886**	597,493	446,027
Total liabilities		**27,077,817**	25,847,617	24,674,026
Equity				
Equity attributable to equity holders of the Bank				
Share capital	14	**7,500,000**	7,500,000	7,500,000
Statutory reserve		**1,753**	1,753	1,753
Fair value reserve		**27,646**	(8,982)	(77,234)
Accumulated losses		**(472,840)**	(433,618)	(95,667)
Total equity attributable to equity holders of the Bank		**7,056,559**	7,059,153	7,328,852
Total equity		**7,056,559**	7,059,153	7,328,852
Total liabilities and equity		**34,134,376**	32,906,770	32,002,878

The interim condensed consolidated financial statements were approved by the Board of Directors on 27 April 2021 and signed on its behalf by: -

Abdulla Mohammed Al-Zamil
Chairman

Abdulaziz A. Al-Helaissi
Chief Executive Officer

Faisal Sabbagh
Chief Financial Officer

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Interim consolidated statement of income (unaudited)
For the three-month period ended 31 March

	Note	2021 (Unaudited) SAR' 000	2020 (Unaudited) SAR' 000
Special commission income		141,244	228,121
Special commission expense		(35,740)	(102,738)
Net special commission income		105,504	125,383
Fee and commission income		43,938	23,337
Fee and commission expense		(902)	(1,528)
Net fee and commission income		43,036	21,809
Exchange income, net		4,632	10,008
Gains / (losses) on FVTIS investments, net		30,916	(45,230)
Gains on other FVTIS financial instruments, net		3,421	1,029
Dividend income		2,884	2,875
Other operating income		435	908
Total operating income		190,828	116,782
Salaries and employee related expenses		(77,775)	(73,294)
Rent and premises related expenses		(2,885)	(2,932)
Depreciation and amortisation		(15,780)	(19,923)
Other general and administrative expenses		(38,912)	(29,342)
Operating expenses before credit impairment provisions		(135,352)	(125,491)
Impairment reversal / (charge) for expected credit losses on loans and advances		5,842	(78,514)
Impairment charge for other financial assets		(12,154)	(10,566)
Impairment charge for expected credit losses on investments		(56)	(299)
Total operating expenses		(141,720)	(214,870)
Net operating income / (loss) for the period before Zakat		49,108	(98,088)
Zakat charge for the period	12	(2,287)	(660)
Net income / (loss) for the period		46,821	(98,748)
Attributable to:			
Equity holders of the Bank		46,821	(98,748)
Net income / (loss) for the period		46,821	(98,748)
Earnings per share (Expressed in SAR per share)			
Basic and diluted earnings per share	14	0.06	(0.13)

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Interim consolidated statement of comprehensive income (unaudited)

For the three-month period ended 31 March

	2021 (Unaudited) SAR' 000	2020 (Unaudited) SAR' 000
Net income / (loss) for the period	**46,821**	(98,748)
Other comprehensive income / (loss):		
Items that will not be reclassified to the statement of income in subsequent periods:		
- Net changes in fair value of equity investments classified as fair value through other comprehensive income (FVTOCI)	**16,814**	(79,279)
Other comprehensive income / (loss)	**16,814**	(79,279)
Total comprehensive income / (loss) for the period	**63,635**	(178,027)
Attributable to:		
Equity holders of the Bank	**63,635**	(178,027)
Total comprehensive income / (loss) for the period	**63,635**	(178,027)

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Interim consolidated statement of changes in equity (unaudited)
For the three-month period ended 31 March

2021 (Unaudited)	Share capital SAR' 000	Statutory reserve SAR' 000	Fair value reserve SAR' 000	Accumulated losses SAR' 000	Total equity SAR' 000
Balance at the beginning of the period	7,500,000	1,753	(8,982)	(433,618)	7,059,153
Net income for the period	-	-	-	46,821	46,821
Other comprehensive income for the period	-	-	16,814	-	16,814
Total comprehensive income for the period	-	-	16,814	46,821	63,635
Transfer from fair value reserve to accumulated losses	-	-	19,814	(19,814)	-
Consideration paid in excess of net assets acquired of a subsidiary (note 5)	-	-	-	(66,229)	(66,229)
Balance at the end of the period	7,500,000	1,753	27,646	(472,840)	7,056,559

2020 (Unaudited)	Share Capital SAR' 000	Statutory Reserve SAR' 000	Fair value reserve SAR' 000	Retained earnings / (accumulated losses) SAR' 000	Total equity SAR' 000
Balance at the beginning of the period	7,500,000	1,753	2,045	3,081	7,506,879
Net loss for the period	-	-	-	(98,748)	(98,748)
Other comprehensive loss for the period	-	-	(79,279)	-	(79,279)
Total comprehensive loss for the period	-	-	(79,279)	(98,748)	(178,027)
Balance at the end of the period	7,500,000	1,753	(77,234)	(95,667)	7,328,852

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Interim consolidated statement of cash flows (unaudited)
For the three-month period ended 31 March

OPERATING ACTIVITIES	Note	2021 (Unaudited) SAR '000	2020 (Unaudited) SAR '000
Net income / (loss) before Zakat for the period		**49,108**	(98,088)
Adjustments to reconcile net income / (loss) before Zakat to net cash flow used in operating activities:			
Net accretion of discount on financial assets at amortized cost		(1,364)	(1,051)
Depreciation and amortization		8,594	12,493
Depreciation of right-of-use assets		7,186	7,430
Impairment charge for investments		56	299
Impairment (reversal) / charge on loans and advances		(5,842)	78,514
Impairment charge for other financial assets		12,154	10,566
Unrealized gains on other financial instruments		(3,421)	(1,029)
Unrealized (gains) / losses on FVTIS investments		(30,916)	45,230
Interest expense on lease liabilities		2,894	3,087
		38,449	57,451
Net (increase) / decrease in operating assets:			
Statutory deposit with SAMA		(287,736)	(179,339)
Due from banks and other financial institutions		29	(200,000)
Positive fair value of derivative financial instruments		49,417	(152,599)
Loans and advances		(1,920,849)	(129,185)
Other assets		35,916	7,995
Net increase / (decrease) in operating liabilities:			
Due to banks and other financial institutions		(645,720)	269,549
Negative fair value of derivatives		(37,381)	176,030
Customers' deposits		1,913,134	1,087,046
Principal payments of lease liabilities		(30,372)	(3,221)
Other liabilities		(20,775)	(22,191)
Net cash (used in) / generated from operating activities		(905,888)	911,536
INVESTING ACTIVITIES			
Purchase of investments		(1,774,859)	(130,000)
Proceeds from sale of investments	6	109,837	3,984
Acquisition of a subsidiary, net of cash and cash equivalents acquired	5	(77,429)	-
Purchase of property, equipment and intangible assets		(9,048)	(17,337)
Addition to right-of-use assets		-	(5,013)
Net cash used in investing activities		(1,751,499)	(148,366)
Net (decrease) / increase in cash and cash equivalents		(2,657,387)	763,170
Cash and cash equivalents at the beginning of the period		9,064,213	8,673,449
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	11	6,406,826	9,436,619
Supplemental non-cash information			
Net change in fair value of investments classified as fair value through other comprehensive income (FVTOCI)		16,814	(79,279)
Additions to lease liabilities, net		-	5,015
Additions to right-of-use assets, net		-	(5,013)

The accompanying notes 1 to 19 form an integral part of these interim condensed consolidated financial statements

Notes to the interim condensed consolidated financial statements (Unaudited)

At 31 March 2021

1. General

The Gulf International Bank - Saudi Arabia (a closed joint stock Company incorporated in Kingdom of Saudi Arabia) ("the Bank") was previously 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 24 November 1975 under the commercial registration number 466002. Effective from 27 Rajab 1440 (corresponding to 3 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 26 Jumada Al-Thani 1439H, corresponding to 14 March 2018, and SAMA approval number 391000082125 dated 23rd Rajab 1439H, corresponding to 9th April 2018. The address of the registered office of the Bank is as follows:

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

The Bank carried out its operations from its three locations in Riyadh, Jeddah and Dhahran with the number of employees totalling 581 as at 31 March 2021 (31 December 2020: 594 and 31 March 2020: 576) 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 at its book value. Transfers of the assets and liabilities were made in accordance with the Articles of Association of the Bank and the resolution of the Bank's shareholders.

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 interim condensed consolidated financial statements include the financial statements of Gulf international Bank - Saudi Arabia and its subsidiaries as follows (collectively referred to as "the Group").

	Ownership interest held by				
	Group		Non-controlling interests		
Name of subsidiary	**31 March 2021**	31 Dec 2020	**31 March 2021**	31 Dec 2020	**Country of incorporation**
GIB Capital Company (a)	**100**	-	**-**	-	Kingdom of Saudi Arabia
Dar Enjaz Gulf Real Estate Company (b)	**100**	100	**-**	-	Kingdom of Saudi Arabia
GIB Opportunistic Saudi Equity Fund (c)	**92.39**	92.44	**7.61**	7.56	Kingdom of Saudi Arabia
GIB Saudi Equity Fund (c)	**99.46**	99.46	**0.54**	0.54	Kingdom of Saudi Arabia
GIB Opportunistic Mena Equity Fund (d)	**99.94**	99.94	**0.06**	0.06	Kingdom of Saudi Arabia
GIBC Investment Fund 15 (d)	**100**	100	**-**	-	Kingdom of Saudi Arabia

a) GIB Capital Company provides financial advisory services in connection with equity placements, mergers, disposals and acquisitions, privatizations, debt capital market products and services, strategic debt advisory and asset management. GIB Capital's clients include institutional investors and high net worth ("HNW") individuals.

b) 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.

c) The fund's investment objective is to generate returns by investing in equity instruments listed on Tadawul.

d) The fund's investment objective is to generate returns by investing in MENA equity instruments.

2. Basis of preparation

From 1 January 2021, the Bank opted out the exemption available in paragraph 4 of IFRS 10: "Consolidated Financial Statements" and accordingly prepared its first set of interim condensed consolidated financial statements (Refer note 3). These interim condensed consolidated financial statements of the Group for the period ended 31 March 2021, 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 that are endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements for the year ended 31 December 2020 and the word "Bank" to be replaced as "Group" in the Bank's annual financial statements.

The Group has prepared these interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors considers that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)
At 31 March 2021

2. Basis of preparation (continued)

The financial statements of the Bank as at and for the year ended 31 December 2020, were prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA.

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Bank's accounting policies and key sources of estimation uncertainty were the same as those applied to the annual financial statements for the year ended 31 December 2020.

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

These interim condensed consolidated financial statements are expressed in Saudi Arabian Riyals (SAR) and are rounded off to the nearest thousands, except where otherwise indicated.

Changes in composition of the Group

The Group acquired the assets, liabilities and operations of GIB Capital Company on 1 January 2021 under a common control transaction from one of the Bank's shareholders - Gulf International Bank B.S.C . The legal formalities were completed during the month of January 2021 (Note 5).

3. Significant accounting policies and impact of change in accounting policies and adoption of new standards

The accounting policies, estimates and assumptions used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the annual financial statements of the Bank for the year ended 31 December 2020 except for the impact of changes in accounting policies due to adoption of new standards (refer vi) and change in accounting policies as mentioned below. The Following accounting policies are applicable effective 1 January 2021 replacing / amending or adding to the corresponding accounting policies set out in 2020 financial statements of the Bank.

Change in accounting policies

Earlier and up until 31 December 2020, the Bank opted to avail the exemption available in paragraph 4 of IFRS 10: "Consolidated Financial Statements" for all the subsidiaries, as set out in note 1. Accordingly, the Bank did not prepare consolidated financial statements since the inception of the business as a closed joint stock company up until 31 December 2020.

From 1st January 2021, management has changed its accounting policy and voluntarily opted out the above exemption of preparing consolidated financial statements. Accordingly, the first set of interim condensed consolidated financial statements has been prepared for the period ended 31 March 2021, and management has applied the revised accounting policies retrospectively with respect to consolidation of subsidiaries. Since the subsidiaries mentioned in note 1 were already accounted for at fair value through the income statement under investments, the change in accounting polices did not have a material impact on the previously issued financial statements of the Bank up until 31 December 2020, and therefore no restatement has been prepared in these interim condensed consolidated financial statements due to change in accounting policies.

i. Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries. Subsidiaries are investees controlled by the Group. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of its returns

These control indicators are subject to management's judgement, and can have a significant effect in the case of the Group's interests in investment funds.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights granted by equity instruments such as shares

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)
At 31 March 2021

3. Significant accounting policies and impact of change in accounting policies and adoption of new standards (continued)

i. Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Bank in the subsidiaries and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated statement of financial position, separately from the Bank shareholders' equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interests are subsequently adjusted for their share of changes in equity of the consolidated subsidiary after the date of acquisition.

Balances between the Bank and its subsidiaries, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Bank. The interim condensed consolidated financial statements have been prepared using uniform accounting policies and valuation methods for like transactions and other events in similar circumstances. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

ii. Business combination under IFRS 3

Accounting for business combinations under IFRS 3 only applies if it is considered that a business has been acquired. Under IFRS 3, 'Business combinations', a business is defined as an integrated set of activities and assets conducted and managed for the purpose of providing a return to investors or lower costs or other economic benefits directly and proportionately to policyholders or participants.

A business generally consists of inputs, processes applied to those inputs, and resulting outputs that are, or will be, used to generate revenues. If goodwill is present in a transferred set of activities and assets, the transferred set is presumed to be a business.

Any goodwill arising from initial consolidation is tested for impairment at least once a year and whenever events or changes in circumstances indicate the need for impairment, they are written down if required.

For acquisitions meeting the definition of a business, the acquisition method of accounting is used. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the Bank elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs related to the acquisition are expenses as incurred. Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized directly in the interim consolidated statement of income.

For acquisitions not meeting the definition of a business, the Group allocates the cost between the individual identifiable assets and liabilities. The cost of acquired assets and liabilities is determined by (a) accounting for financial assets and liabilities at their fair value at the acquisition date as measured in accordance with IFRS 9, 'Financial Instruments'; and (b) allocating the remaining balance of the cost of purchasing the assets and liabilities to the individual assets and liabilities, other than financial instruments, based on their relative fair values at the acquisition date.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)
At 31 March 2021

3. Significant accounting policies and impact of change in accounting policies and adoption of new standards (continued)

iii. Business combination under common controlled transactions

A 'business combination involving entities or businesses under common control' is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

The acquirer in a common control transaction should use in its interim condensed consolidated financial statements either of the book value (carry-over basis) accounting on the basis that the investment has simply been moved from one part of the group to another or IFRS 3 accounting on the basis that the acquirer is a separate entity in its own right and should not be confused with the economic group as a whole. The Group has adopted the book value as the basis of accounting for the investment in GIB Capital Company.

In applying book value accounting, an adjustment may be required in equity to reflect any difference between the consideration paid and the net assets of the acquiree. The following are possible approaches to recognising the adjustment:

- Reflect the adjustment in a capital account, called a 'merger' reserve or similar
- Reflect the adjustment in retained earnings.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group, the assets acquired and liabilities assumed are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity, and any gain/loss arising is recognised directly in equity. Any consideration paid more than the net assets will directly be reflected in the retained earnings.

iv. Assets held under fiduciary capacity

The Group offers asset management services to its customers, which include management of certain investments on behalf of its customers. Investments held through such arrangements are not treated as assets of the Group and accordingly, are not included in the interim consolidated statement of financial position.

v. Revenue recognition

IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, the Group recognises revenue at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group recognises revenue when the amount can be reliably measured and it is probable that future economic benefits will flow to the Group. The Group applies the following five-step approach of revenue recognition:

Step 1: Identify the contract with the customer
Step 2: Identify the separate performance obligations under the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to separate performance obligations
Step 5: Recognise revenue when (or as) each performance obligation is satisfied

Based on the above five steps, the revenue recognition policy for the key revenue streams is as follows:

Income from advisory service:

Advisory service fees are recognized based on the applicable service contract, usually on a time proportionate basis as the services are performed. Advisory services where the underlying significant act is completed or instances for which no further activities are required to be done are considered fully earned.

Asset management fee income:

Asset Management fee income from mutual funds and discretionary portfolio management are recognised based on a fixed percentage of net assets value under management, subject to applicable terms and conditions and service contracts with customers and funds. The Group attributes the revenue from management fees to the services provided during the period, because the fee relates specifically to the Group efforts to transfer these services. As asset management fees are not subject to refunds, the management does not expect any reversal of revenue previously recognised.

Brokerage income:

Brokerage income is recognised when the related transactions are executed on behalf of the customers at the price agreed in the contract with the customers, net of discounts, rebates and Tadawul fees. The performance obligation of the Group is satisfied when the Group carries out the transaction, which triggers immediate recognition of the revenue, as the Group will have no further commitments.

Income from margin lending:

Margin lending is a financing facility provided to existing customers to trade in the capital market. Interest income is recognised based on customer utilization of the margin lending financing facility at the applicable rates agreed in the contract with the customer. The income is accrued daily on the outstanding balance at the effective commission rate method.

Above streams of income are recognised in fee and commission income in the interim consolidated statement of income.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)

At 31 March 2021

3. Significant accounting policies and impact of change in accounting policies and adoption of new standards (continued)

v. Revenue recognition (continued)

Management fees

Management fees are calculated at rates mentioned in terms and conditions of the fund and are payable quarterly in arrears.

vi. New standards, interpretations and amendments adopted by the Group

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") has published amendments, in two phases, as part of guidance to assist in a smoother transition away from IBOR.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- Contractual changes, or changes to cash flows that are directly required by the reform, are to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- To permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; and
- To provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

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 Group 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, and amendments are effective for annual periods beginning on or after 1 January 2021. 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 transition. Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 March 2021.

On 5 March 2021 the UK Financial Conduct Authority published dates on which all LIBOR settings for all currencies will either cease or no longer be representative, and the International Swaps and Derivatives Association ("ISDA") has confirmed this constitutes an index cessation event under the IBOR Fallbacks Supplement and the ISDA 2020 IBOR Fallbacks Protocol.

Management is running a project on the Group'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.

These amendments had no material impact on the interim condensed consolidated financial statements of the Group. The Group intends to use the practical expedients.

4. Standard issued but not yet effective

The accounting standards, amendments and revisions which have been published are set out below. The Bank has opted not to early adopt these pronouncements and they do not have a significant impact on the interim condensed consolidated financial statements.

- COVID-19 – Related Rent Concessions (Amendments to IFRS 16), applicable for the periods on or after 1 April 2021.
- Annual Improvements to IFRSs (2018-2020) cycle, applicable for the periods on or after 1 April 2021.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16), applicable for the periods on or after 1 April 2021.
- Onerous contracts – Cost of Fulfilling a contract (Amendments to IAS 37), applicable for the periods on or after 1 April 2021.
- Reference to Conceptual Framework (Amendments to IFRS 3), applicable for the periods on or after 1 April 2021.
- IFRS 17 – "Insurance contracts", applicable for the periods beginning on or after January 1, 2023.
- Amendments to IAS 1 - "Classification of Liabilities as Current or Non-current", applicable for the periods beginning on or after January 1, 2023.
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 (Amendment - Disclosure of Accounting Policies), applicable for the periods beginning on or after January 1, 2023.
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors (Amendment - Definition of Accounting Estimates), applicable for the periods beginning on or after January 1, 2023.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)
At 31 March 2021

5. Acquisition of a subsidiary

On 1 January 2021, the Group acquired 100% of the shares and voting interests in GIB Capital Company for a cash consideration of SAR 256.7 million, which was payable on an immediate basis. Included in the identifiable assets and liabilities acquired at the date of acquisition of GIB Capital Company are infrastructure, brand name, customer relationships, investments in the market and an organised workforce. The Group has determined that together the acquired set of assets and liabilities as above will significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

Taking control of GIB Capital Company will enable the Group to be in a position to enter into the business of financial securities, provide financial advisory services and reduce costs through economies of scale. The Group incurred acquisition-related costs on legal fees and due diligence costs, and these costs have been included in general and administrative expenses.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition (1 January 2021).

	SAR '000
Consideration paid in cash	**256,717**
Value of assets acquired	
Property and equipment	3,227
Investment held at FVTOCI	23,285
Right-of-use-assets	3,824
Accounts receivable	4,400
Receivable against margin lending	3,538
Advances, prepayments and other current assets	9,192
Short-term deposits	170,000
Bank balances	9,288
Total value of assets acquired	**226,754**
Value of liabilities assumed	
Lease liabilities	3,511
Employees' terminal benefits	7,871
Accrued expenses and other current liabilities	24,884
Total value of liabilities assumed	**36,266**
Net assets acquired	**190,488**
Transferred directly to equity (consideration paid in excess of net assets acquired)	66,229
Consideration paid	256,717
Cash and cash equivalents acquired (short-term deposits and bank balances)	(179,288)
Net outflow reflected in the interim consolidated statement of cash flows	77,429

Since the above transaction falls under the ambit of acquisition of an entity under common control, the above assets acquired and liabilities assumed are accounted for at book value, and the difference between consideration paid and net assets acquired has been transferred to the retained earnings in accordance with the accounting policies as mentioned in note 3(iii).

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)

At 31 March 2021

6. Investments, net

Investment securities are classified as follows:

	As at 31 March 2021 (Unaudited) SAR '000	As at 31 December 2020 (Audited) SAR '000	As at 31 March 2020 (Unaudited) SAR '000
Investments at fair value through other comprehensive income (FVTOCI)	300,314	370,052	301,800
Investments at fair value through statement of income (FVTIS)	255,381	224,465	158,391
Investments at amortized cost	4,341,187	2,567,251	2,320,517
Less: expected credit losses for investments at amortized cost	(771)	(715)	(3,674)
Total	4,896,111	3,161,053	2,777,034

All investments held by the Group are based in Kingdom of Saudi Arabia. FVTIS investments represents the amount invested by the Group in mutual funds of SAR 201.2 million (31 December 2020: SAR 166 million; 31 March 2020: SAR 90.6 million) and equities of SAR 54.2 million (31 December 2020: SAR 58.5 million; 31 March 2020: SAR 67.8 million).

Investments at amortised cost only include investments in debt securities, out of which unquoted are SAR 198.6 million (31 December 2020: SAR 165.7 million; 31 March 2020: SAR 116.2 million).

Investments at FVTOCI represents only equity investments by the Group. The FVTOCI designation was made on the basis that the investments are expected to be held for the long-term for strategic purposes.

During the period ended 31 March 2021, the Group disposed of certain investments measured at FVTOCI and realised a total loss of SAR 19.84 million. The consideration received for the disposal was SAR 109.8 million. These equity securities were disposed of due to a strategic decision by the investment committee.

7. Loans and advances, net

	31 March 2021 (Unaudited) SAR'000			
	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	1,234,307	18,510,655	754,629	20,499,591
Non-performing loans and advances	-	804,885	1,406	806,291
Gross loans and advances	1,234,307	19,315,540	756,035	21,305,882
Less: expected credit losses	(1,036)	(574,371)	(17,667)	(593,074)
Loans and advances, net	1,233,271	18,741,169	738,368	20,712,808

Performing loans and advances held at amortized cost include SAR 177.9 million that are past due but not impaired.

	31 December 2020 (Audited) SAR'000			
	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	760,708	17,109,503	721,890	18,592,101
Non-performing loans and advances	-	792,281	1,334	793,615
Gross loans and advances	760,708	17,901,784	723,224	19,385,716
Less: expected credit losses	(910)	(582,233)	(16,456)	(599,599)
Loans and advances, net	759,798	17,319,551	706,768	18,786,117

Performing loans and advances held at amortized cost include SAR 269.8 million that are past due but not impaired.

	31 March 2020 (Unaudited) SAR'000			
	Overdrafts	Commercial loans	Retail loans	Total
Performing loans and advances	317,984	16,025,257	684,932	17,028,173
Non-performing loans and advances	-	1,409,803	1,507	1,411,310
Gross loans and advances	317,984	17,435,060	686,439	18,439,483
Less: expected credit losses	(816)	(866,648)	(9,323)	(876,787)
Loans and advances, net	317,168	16,568,412	677,116	17,562,696

Performing loans and advances held at amortized cost include SAR 245.7 million that are past due but not impaired.

Total loans and advances include Shariah based loans and advances amounting to SAR 12,831 million (31 December 2020: SAR 12,854 million; 31 March 2020: SAR 12,144 million).

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)

At 31 March 2021

8. Customers' deposits

	As at 31 March 2021 (Unaudited) SAR '000	As at 31 December 2020 (Audited) SAR '000	As at 31 March 2020 (Unaudited) SAR '000
Demand deposits	**12,126,850**	11,951,324	10,301,685
Saving accounts	**537,262**	690,854	561,486
Time deposits	**11,033,055**	8,838,742	11,539,719
Others	**584,338**	887,451	400,914
Total customer deposits	**24,281,505**	22,368,371	22,803,804

Time deposits include deposits taken under non-interest-based contracts of SAR 8,828 million (31 December 2020: SAR 6,807 million and 31 March 2020: SAR 10,242 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.

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 stipulated periods. Asset and liability commission rate gaps are reviewed on a periodic basis, and hedging strategies are used to reduce commission rate gaps within the established limits.

As part of their asset and liability management, the Bank uses derivative financial instruments for hedging purposes in order to adjust their own exposure to currency and commission rate risks. This is generally achieved by hedging specific transactions as well as by strategic hedging against the overall statement of financial position exposures. Strategic hedging, other than portfolio hedging for commission rate risk, does not qualify for special hedge accounting and the related derivative financial instruments are accounted for as held for trading purposes. The Bank uses commission rate swaps to hedge against the commission rate risk arising from specifically identified fixed commission rate exposures. In such cases, the nature of the hedging relationship and objectives, including the details of the hedged items and hedging instruments, are formally documented, and the transactions are accounted for as fair value hedges.

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

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)

At 31 March 2021

9. Derivatives and foreign exchange instruments (continued)

Held for hedging purposes (continued)

	31 March 2021 (Unaudited) SAR'000			31 December 2020 (Audited) SAR'000			31 March 2020 (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
- Held for trading									
Commission rate swaps	**201,128**	**(203,084)**	**9,201,650**	242,114	(244,476)	8,194,751	258,440	(259,821)	8,772,190
Currency swaps	**-**	**-**	**39**	-	-	-	241	(241)	225,465
Commission rate futures and options	**37,179**	**(53,738)**	**1,785,992**	42,211	(42,229)	1,874,028	48,827	(49,835)	2,444,893
Forward foreign exchange contracts	**6**	**(6)**	**1,033,636**	201	(201)	726,430	2,352	(2,991)	1,161,196
- Held as fair value hedge									
Commission rate swaps - loans	**527**	**(30,295)**	**799,542**	420	(37,373)	820,302	2	(38,779)	789,827
Commission rate swaps - deposits	**155**	**(74)**	**1,613,240**	45	(299)	1,589,831	3,696	(102)	2,244,633
Total	**238,995**	**(287,197)**	**14,434,099**	284,991	(324,578)	13,205,342	313,558	(351,769)	15,638,204

10. Commitments and Contingencies

	As at 31 March 2021 (Unaudited) SAR '000	As at 31 December 2020 (Audited) SAR '000	As at 31 March 2020 (Unaudited) SAR '000
Letters of credit	**1,587,135**	1,477,949	1,696,989
Letters of guarantee	**8,241,662**	8,226,631	8,147,918
Acceptances	**1,028,800**	1,130,887	525,013
Irrevocable commitments to extend credit	**1,292,065**	1,319,666	1,235,517
Total	**12,149,662**	12,155,133	11,605,437

As at 31 March 2021 there were no significant legal proceedings outstanding against the Bank (31 December 2020: Nil and 31 March 2020: Nil).

11. Cash and cash equivalents

	As at 31 March 2021 (Unaudited) SAR '000	As at 31 December 2020 (Audited) SAR '000	As at 31 March 2020 (Unaudited) SAR '000
Cash and balances with SAMA (excluding statutory deposit)	**5,701,509**	7,826,927	6,911,548
Due from banks and other financial institutions with original maturities of three-month or less	**705,317**	1,237,286	2,525,071
Total	**6,406,826**	9,064,213	9,436,619

12. Zakat

Gulf International Bank - Saudi Arabia

The provision of Zakat liability is estimated based on the results of operations of the Bank. The Bank has accrued Zakat liability of SAR 2.3 million for the period ended 31 March 2021 (31 March 2020: 0.66 million).

Status of assessments

The Bank has filed its Zakat declaration with General Authority of Zakat and Tax (GAZT) for the period from 3rd April 2019 to 31 December 2019. However, no assessment has been raised by GAZT. The Bank is in the process of filing the return for the year ended 31 December 2020.

GIB Capital Company

In 2016, the Company obtained an approval from the General Authority of Zakat and Tax ("GAZT") for an exemption to pay Zakat. Accordingly, the Company has not considered Zakat for the current period and previous years.

Status of assessments

The Zakat returns for the years from 2008 till 2017 have been submitted to the GAZT. However, the assessments have not yet been finalised by the GAZT for any of these years.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)

At 31 March 2021

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

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

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

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

Carrying amounts and fair value

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

The fair value of financial assets and liabilities not measured at fair value are estimated either by using a discounted cash flow model that incorporates assumptions for various risk factors or using the direct observable input that is similar security transactions in the market. 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. Loans and advances and customers deposits' are classified as Level 3, the fair value of which is determined by discounting future cash flows using risk adjusted expected SIBOR rates. There were no transfers between the levels of fair value hierarchies during the period.

		Fair value SAR'000			
At 31 March 2021 (Unaudited)	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value					
Investments held at FVTOCI	**300,314**	**295,186**	**-**	**5,128**	**300,314**
Investments held at FVTIS	**255,381**	**255,381**	**-**	**-**	**255,381**
Positive fair value of derivatives	**238,995**	**-**	**238,995**	**-**	**238,995**
Financial assets not measured at fair value					
Investments at amortized cost	**4,340,416**	**-**	**4,249,551**	**164,736**	**4,414,287**
Loans and advances, net	**20,712,808**	**-**	**-**	**21,001,089**	**21,001,089**

		Fair value SAR'000			
At 31 December 2020 (Audited)	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments held at FVTOCI	370,052	364,924	-	5,128	370,052
Investments held at FVTIS	224,465	224,465	-	-	224,465
Positive fair value of derivatives	284,991	-	284,991	-	284,991
Financial assets not measured at fair value					
Investments held at amortised cost	2,566,536	-	2,488,513	164,077	2,652,590
Loans and advances, net	18,786,117	-	-	18,830,805	18,830,805

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)
At 31 March 2021

13. Fair value of financial instruments (continued)

At 31 March 2020 (Unaudited)	Carrying value	Fair value SAR'000 Level 1	Level 2	Level 3	Total
Financial assets measured at fair value					
Investments held at FVTOCI	301,800	293,824	-	7,976	301,800
Investments held at FVTIS	158,391	158,391	-	-	158,391
Positive fair value of derivatives	313,558	-	313,558	-	313,558
Financial assets not measured at fair value					
Investments held at amortised cost	2,316,843	-	2,241,946	149,998	2,391,944
Loans and advances, net	17,562,696	-	-	17,506,987	17,506,987

At 31 March 2021 (Unaudited)	**Carrying value**	**Fair value SAR'000 Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value					
Negative fair value of derivatives	**287,197**	**-**	**287,197**	**-**	**287,197**
Financial liabilities not measured at fair value					
Customers' deposits	**24,281,505**	**-**	**-**	**24,040,617**	**24,040,617**

At 31 December 2020 (Audited)	Carrying value	Fair value SAR'000 Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	324,578	-	324,578	-	324,578
Financial liabilities not measured at fair value					
Customers' deposits	22,368,371	-	-	22,144,372	22,144,372

At 31 March 2020 (Unaudited)	Carrying value	Fair value SAR'000 Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Negative fair value of derivatives	351,769	-	351,769	-	351,769
Financial liabilities not measured at fair value					
Customers' deposits	22,803,804	-	-	22,499,891	22,499,891

14. Share capital and earnings per share

The authorised, issued and fully paid share capital at 31 March 2021 comprised 750 million shares (31 December 2020 and 31 March 2020; 750 million shares) of SAR 10 each. The shareholders of the Bank comprise: Gulf International Bank B.S.C. (50%) and Public Investment Fund (50%). Basic and diluted earnings per share for the period ended 31 March 2021 and 2020 is calculated on a weighted average basis by dividing the net income / (loss) for the period by 750 million shares.

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 second / third waves 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 the Kingdom of Saudi Arabia has, however, managed to successfully control the outbreak to date, owing primarily to the effective measures undertaken, including the mass immunization programme currently in progress.

The Bank continues to be cognisant of both the micro and macroeconomic challenges that COVID-19 has posed, the 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, counterparties and collateral protection; and addressing the findings through either customer credit rating actions or initiation of restructuring of facilities, as appropriate. In 2020, the Bank made certain adjustments to the macroeconomic factors and scenario weightings.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)
At 31 March 2021

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

As the situation continues to be fluid, the management considers certain effects cannot be fully incorporated into the ECL model calculations at this point in time. Accordingly, management's ECL estimation includes an assessment of staging analysis within the impacted portfolios based on the macroeconomic analysis and other factors. The Bank has therefore recognised overlays of SR 29.2 million as at 31 March 2020 (31 December 2020: SR 29.2 million). This includes consideration of the Micro, Small and Medium Enterprises portfolio referred to below. As with any estimates, the projections and likelihoods of occurrence are underpinned by significant judgement, and the Bank will continue to reassess as more reliable data becomes available, and accordingly determine adjustments to the ECL as appropriate in subsequent reporting periods.

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. The PSFSP mainly encompasses the following programs:

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

As part of the PSFSP deferred payments program, the Group is required to defer payments for fifteen months (the original deferment for six months was followed on by further extensions) on lending facilities to those companies that qualify as MSMEs. The payment reliefs are considered as short-term liquidity support to address the borrower's potential cash flow issues.

The Group has effected the payment reliefs by deferring the instalments falling due within the period from 15 March 2021 to 30 June 2021 by increasing the facility tenor, 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 a modification in terms of arrangement. This resulted in the Group recognizing an additional modification loss of SAR 0.58 million in the current period (period the year ended 31 December 2020: SAR 26.4 million).

The Group generally considers the deferral of payments in hardship arrangements as an indication of a significant increase in credit risk ("SICR") but the deferral of payments under the current COVID-19 support packages have not, in isolation, been treated as an indication of SICR. During the three-month period ended 31 March 2021, SAR 3.1 million (for the year ended 31 December 2020: SAR 9.1 million) has been released to the interim consolidated statement of income relating to unwinding of modification losses.

In order to compensate the related cost that the Group is expected to incur under the SAMA and other public authorities program, during 2020 the Group received profit free deposits from SAMA amounting to SAR 532 million 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. This resulted in a total income of SAR 44.7 million and by the end of 2020, total income of SAR 26.4 million had been recognised in the interim consolidated statement of income with the remaining amount deferred as at 31 December 2020. The management has exercised certain judgements in the recognition and measurement of this grant income. During the three-month period ended 31 March 2021, SAR 3.3 million has been recognised in the interim consolidated statement of income relating to unwinding.

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:

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

In this regard, during Q2 2020, the Group received SAR 948.5 million 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 11.6 million, of which SAR 2.9 million has been recognised in the interim consolidated statement of income for the period ended March 31, 2021 (for the year ended 31 December 2020: SAR 6.8 million), with the remaining amount deferred.

Notes to the interim condensed consolidated financial statements (Unaudited) (continued)

At 31 March 2021

16. 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 ("RWA") at or above a minimum of 8%.

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

	As at 31 March 2021 (Unaudited) SAR '000	As at 31 December 2020 (Audited) SAR '000	As at 31 March 2020 (Unaudited) SAR '000
Risk-weighted exposure			
Credit risk RWA	**27,934,177**	25,877,562	25,181,389
Operational risk RWA	**1,091,745**	951,591	951,591
Market risk RWA	**588,537**	527,183	421,448
Total Pillar-I RWA	**29,614,459**	27,356,336	26,554,428
Tier I capital	**7,056,559**	7,059,153	7,328,852
Tier II capital	**179,475**	184,737	188,119
Total Tier I & II Capital	**7,236,034**	7,243,890	7,516,971
Capital adequacy ratios			
Tier I ratio	**23.83%**	25.80%	27.60%
Tier I + Tier II ratio	**24.43%**	26.48%	28.31%

17. Comparative figures

Comparative figures have been reclassified to comply with the current period presentation, which are as follows:

	As previously Stated	Effects due to re-classification	**After reclassification**
Statement of financial position as at 31 December 2020 (Audited)			
Loans and advances, net	18,761,718	24,399	**18,786,117**
Other liabilities	(573,094)	(24,399)	**(597,493)**
Statement of financial position as at 31 March 2020 (Unaudited)			
Loans and advances, net	17,541,113	21,583	**17,562,696**
Other liabilities	(424,444)	(21,583)	**(446,027)**
Statement of income for the three-month period ended 31 March 2020 (Unaudited):			
Impairment charge for expected credit losses on loans and advances	100,097	(21,583)	**78,514**
Impairment (reversal) / charge for other financial assets	(11,017)	21,583	**10,566**
Salaries and employee related expenses	68,904	4,390	**73,294**
Other general and administrative expenses	33,732	(4,390)	**29,342**
Fee and commission income	(24,245)	908	**(23,337)**
Other operating income	-	(908)	**(908)**

There is no impact on the statement of cash flows for the three-month period ended 31 March 2020, because the items reclassified above are within the same category of the statement of cash flows.

18. Subsequent events

There were no significant events between the date of these interim condensed consolidated financial statements authorization and date of interim condensed consolidated financial position, which requires adjustment / disclosure in these interim condensed consolidated financial statements.

19. Approval of interim condensed consolidated financial statements

These interim condensed consolidated financial statements were approved by the Board of Directors on 27 April 2021 (corresponding to 15 Ramadan 1442H).