

Ref: Fin/KSE/2021/169
Date 18 JUL 2021

التاريخ:

Chief Executive Officer
Boursa Kuwait

المحترم

السيد / الرئيس التنفيذي
بورصة الكويت

تحية طيبة وبعد ،

Subject: Interim Financial Statement for the period ending 30 June 2021.

الموضوع / البيانات المالية المرحلية للفترة المنتهية في 30 يونيو 2021.

Reference is made to the above subject, and pursuant to the provisions of Chapter Four "Disclosure of Material Information" of Module Ten "Disclosure and Transparency" of the Executive Bylaws of Law No. "7" of 2010 and its Amendments regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities, Ahli United Bank kscp would like to disclose the Interim Financial Statement for the period ending 30 June 2021 after approval of the Central Bank of Kuwait has been received.

بالإشارة إلى الموضوع أعلاه، وعملاً بأحكام الفصل الرابع "الإفصاح عن المعلومات الجوهرية" من الكتاب العاشر "الإفصاح والشفافية" من اللائحة التنفيذية لقانون هيئة أسواق المال رقم "7" لسنة 2010 وتعديلاته، يود البنك الأهلي المتحد ش.م.ك.ع الإفصاح عن البيانات المالية المرحلية للفترة المنتهية في 2021/06/30.

Best regards,

وتفضلوا بقبول وافر التقدير والاحترام ،،


الرئيس التنفيذي
٢
البنك الأهلي المتحد
ahli united bank
2
HEAD OFFICE

Financial Results Form
Kuwaiti Company (KWD)

نموذج نتائج البيانات المالية
الشركات الكويتية (د.ك.)

Company Name	اسم الشركة
Ahli United Bank K.S.C.P.	البنك الأهلي المتحد (ش.م.ك.ع.)

Select from the list	2021-06-30	اختر من القائمة
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Board of Directors Meeting Date	2021-07-07	تاريخ اجتماع مجلس الإدارة
---------------------------------	------------	---------------------------

Required Documents	المستندات الواجب إرفاقها بالنموذج
Approved financial statements. Approved auditor's report This form shall not be deemed to be complete unless the documents mentioned above are provided	نسخة من البيانات المالية المعتمدة نسخة من تقرير مراقب الحسابات المعتمد لا يعتبر هذا النموذج مكتملاً ما لم يتم وإرفاق هذه المستندات

التغيير (%)	اختر من القائمة	اختر من القائمة	البيان
Change (%)	Six Month Comparative Period	Six Month Current Period	Statement
	2020-06-30	2021-06-30	
2.0%	17,676,663	18,031,536	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
2.7%	7.4	7.6	ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share
(0.4%)	3,527,689,958	3,513,346,878	الموجودات المتداولة Current Assets
0.2%	4,426,741,793	4,437,420,561	إجمالي الموجودات Total Assets
(4.2%)	3,849,418,201	3,687,237,530	المطلوبات المتداولة Current Liabilities
(4.7%)	3,934,349,651	3,749,766,573	إجمالي المطلوبات Total Liabilities
6.1%	431,752,142	458,234,880	إجمالي حقوق الملكية الخاصة بمساهمي الشركة الأم Total Equity attributable to the owners of the Parent Company
(4.6%)	48,557,587	46,336,870	إجمالي الإيرادات التشغيلية Total Operating Revenue
(1.6%)	30,279,838	29,785,639	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)
	Not applicable	Not applicable	الخسائر المتراكمة / رأس المال المدفوع Accumulated Loss / Paid-Up Share Capital

Ahli United Bank K.S.C.P.

Established in 1941

Authorized Capital K.D. 250,000,000/-

Issued & Paid up Capital K.D. 238,245,453/300

C.R. 429

Head Office: Darwazat Al-Abdul Razzak

P.O. Box 71 Safat, 12168 Kuwait

Telephone (+965) 1802000, Fax (+965) 22461430

SWIFT CODE: BKMEKWKW

Financial Results Form
Kuwaiti Company (KWD)

www.ahliunited.com.kw

البنك الأهلي المتحد (ش.م.ك.ع.)

تأسس عام 1941

رأس المال المصرح به - /20,000,000,000 د.ك.

رأس المال المصدر والمدفوع 300/238,245,453 د.ك.

سجل تجاري 429

المقر الرئيسي: دروازة العبد الرزاق

ص.ب 71 الصفاة، 12168 الكويت

هاتف: 1802000 (+965)، فاكس: 22461430 (+965)

سويقت كود: BKMEKWKW

نموذج نتائج البيانات المالية
للشركات الكويتية (د.ك.)

@abukwait

التغيير (%)	اختر من القائمة	اختر من القائمة	البيان
Change (%)	Second quarter Comparative Period	Second quarter Current Period	Statement
	2020-06-30	2021-06-30	
191.6%	2,368,527	6,905,974	صافي الربح (الخسارة) الخاص بمساهمي الشركة الأم Net Profit (Loss) represents the amount attributable to the owners of the parent Company
	0.3	2.4	ربحية (خسارة) السهم الأساسية والمخفضة Basic & Diluted Earnings per Share
11.7%	19,507,505	21,790,695	إجمالي الإيرادات التشغيلية Total Operating Revenue
25.3%	10,836,161	13,572,842	صافي الربح (الخسارة) التشغيلية Net Operating Profit (Loss)

• Not Applicable for first Quarter

• لا ينطبق على الربع الأول

Increase/Decrease in Net Profit (Loss) is due to	سبب ارتفاع/انخفاض صافي الربح (الخسارة)
Increase in the Net Profit is due to normal growth in business	تعود الزيادة في صافي الربح الي النمو الطبيعي للأعمال

Total Revenue realized from dealing with related parties (value, KWD)	KD 931,000	بلغ إجمالي الإيرادات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)

Total Expenditures incurred from dealing with related parties (value, KWD)	KD 3,350,032	بلغ إجمالي المصروفات من التعاملات مع الأطراف ذات الصلة (المبلغ د.ك.)

Auditor Opinion		رأي مراقب الحسابات
1. Unqualified Opinion	<input checked="" type="checkbox"/>	1. رأي غير متحفظ
2. Qualified Opinion	<input type="checkbox"/>	2. رأي متحفظ
3. Disclaimer of Opinion	<input type="checkbox"/>	3. عدم إبداء الرأي
4. Adverse Opinion	<input type="checkbox"/>	4. رأي معاكس

In the event of selecting item No. 2, 3 or 4, the following table must be filled out, and this form is not considered complete unless it is filled.

بحال اختيار بند رقم 2 أو 3 أو 4 يجب تعبئة الجدول التالي، ولا يعتبر هذا النموذج مكتملاً ما لم يتم تعبئته

	نص رأي مراقب الحسابات كما ورد في التقرير
	شرح تفصيلي بالحالة التي استدعت مراقب الحسابات لإبداء الرأي
	الخطوات التي ستقوم بها الشركة لمعالجة ما ورد في رأي مراقب الحسابات
	الجدول الزمني لتنفيذ الخطوات لمعالجة ما ورد في رأي مراقب الحسابات

Ahli United Bank K.S.C.P.

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البنك الأهلي المتحد (ش.م.ك.ع.)

تأسس عام ١٩٤١
رأس المال المصرح به -/.....٢٥٠.٠٠٠.٠٠٠ د.ك.
رأس المال المصدر والمدفوع ٢٣٨,٢٤٥,٤٥٣/٣٠٠ د.ك.
سجل تجاري ٤٢٩
المقر الرئيسي: درويزة العبد الرزاق
ص.ب ٧١ الصفاة، ١٢١٦٨ الكويت
هاتف : ١٨٠٢٠٠٠ (+٩٦٥) ، فاكس: ٢٢٤٦١٤٣ (+٩٦٥)
سويفت كود: BKMEKWKW

نموذج نتائج البيانات المالية
للشركات الكويتية (د.ك.)
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Corporate Actions		استحقاقات الأسهم (الإجراءات المؤسسية)		
النسبة	القيمة			
NA	NA	توزيعات نقدية Cash Dividends		
NA	NA	توزيعات أسهم منحة Bonus Share		
NA	NA	توزيعات أخرى Other Dividend		
NA	NA	عدم توزيع أرباح No Dividends		
NA	NA	علاوة الإصدار Issue Premium	NA	زيادة رأس المال Capital Increase
NA	NA	تخفيض رأس المال Capital Decrease		

ختم الشركة Company Seal	التوقيع Signature	المسمى الوظيفي Title	الاسم Name
		Amgad Younes Senior General Manager Head of Finance	

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تأسس عام ١٩٤١
رأس المال المصرح به -/20,000,000 د.ك.
رأس المال المصدر والمدفوع 238,245,453/300 د.ك.
سجل تجاري ٤٢٩
المقر الرئيسي: دروازة العبد الرزاق
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هاتف: ١٨٠٢٠٠٠ (+٩٦٥)، فاكس: ٢٢٤٦١٤٣ (+٩٦٥)
سويقت كود: BKMEKWKW

نموذج نتائج البيانات المالية
للشركات الكويتية (د.ك.)
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الإشارة : ٤٤٦٨ /105/2

التاريخ : 8 ذو الحجة 1442
الموافق : 18 يوليو 2021

المحترمة
الفاضلة الرئيس التنفيذي بالوكالة
البنك الأهلي المتحد

تحية طيبة وبعد ،

بالإشارة إلى كتاب مصرفكم المؤرخ 2021/7/8 والمرفق به البيانات المالية
المرحلية لمصرفكم عن الفترة من 2021/1/1 حتى 2021/6/30. وعطفاً على
الإيضاحات والبيانات التفصيلية الواردة إلينا في هذا الشأن والتي كان آخرها بتاريخ
2021/7/15.

نفيدكم بأن بنك الكويت المركزي قد أحيط علماً بما جاء في البيانات المشار إليها.
وعليه فإنه يمكنكم اتخاذ كافة الإجراءات الضرورية المتبعة في مثل هذا الخصوص.

مع أطيب التحيات.


وليد محمود العوضي

٤٤٦٨ - نسخة إلى بورصة الكويت.



AHLI UNITED BANK K.S.C.P.
KUWAIT

INTERIM CONDENSED FINANCIAL INFORMATION
30 JUNE 2021 (UNAUDITED)



ahli united bank

Ahli United Bank K.S.C.P.

Kuwait

Interim Condensed Financial Information

30 June 2021

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Ernst & Young
Al Aiban Al Osaimi & Partners
P.O. Box 74
18-20th Floor Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2295 5000
Fax: +965 2245 6419
kuwait@kw.ey.com
ey.com/mena

Deloitte.

**Deloitte & Touche
Al-Wazzan & Co.**

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174, Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

REPORT ON REVIEW OF THE INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AHLI UNITED BANK K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Ahli United Bank K.S.C.P. (the “Bank”) as at 30 June 2021, and the related interim condensed statement of profit or loss and interim condensed statement of comprehensive income for the three-month and six-month periods then ended, and the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the six-month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed financial information 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*”. 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 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, or of the Bank’s Articles of Association and Memorandum of Incorporation, during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Bank or on its financial position.



REPORT ON REVIEW OF THE INTERIM CONDENSED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF AHLI UNITED BANK K.S.C.P. (continued)

Report on other Legal and Regulatory Requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No.32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the six-month period ended 30 June 2021 that might have had a material effect on the business of the Bank or on its financial position.

SHEIKHA AL FULAIJ
LICENCE NO. 289 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

BADER A. AL WAZZAN
LICENCE NO. 62 A
DELOITTE & TOUCHE
AL-WAZZAN & CO.

18 July 2021
Kuwait

Ahli United Bank K.S.C.P.

**Interim Condensed Statement of Profit or Loss
For the period ended 30 June 2021 (Unaudited)**

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 KD'000	2020 KD'000	2021 KD'000	2020 KD'000
Financing income		29,049	35,089	58,780	76,500
Distribution to depositors	4	(10,312)	(17,354)	(20,114)	(39,404)
Net financing income		18,737	17,735	38,666	37,096
Net fees and commission income		1,734	1,321	3,716	2,998
Foreign exchange gains		538	725	1,095	2,724
Net gain from investment securities		6	-	2,268	5,649
Net gain on sale of investment properties		666	-	666	589
Share of results from an associate		108	(271)	(76)	(531)
Other income		2	(2)	2	33
Total operating income		21,791	19,508	46,337	48,558
Provision and impairment losses		(6,367)	(8,327)	(10,942)	(11,758)
Operating income after provision and impairment losses		15,424	11,181	35,395	36,800
Staff costs		(4,352)	(5,572)	(8,961)	(11,180)
Depreciation		(1,045)	(701)	(2,055)	(2,034)
Other operating expenses		(2,821)	(2,399)	(5,535)	(5,064)
Total operating expenses		(8,218)	(8,672)	(16,551)	(18,278)
PROFIT BEFORE TAXATION		7,206	2,509	18,844	18,522
Taxation		(300)	(140)	(812)	(845)
PROFIT FOR THE PERIOD		6,906	2,369	18,032	17,677
BASIC AND DILUTED EARNINGS PER SHARE (EPS)	5	2.4	0.3	7.6	7.4

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

**Interim Condensed Statement of Comprehensive Income
For the period ended 30 June 2021 (Unaudited)**


	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
PROFIT FOR THE PERIOD	6,906	2,369	18,032	17,677
Other comprehensive income (loss):				
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods:</i>				
Net movement in cumulative changes in fair values of equity instruments designated at FVOCI	14	4	27	(8)
Net other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods	14	4	27	(8)
Other comprehensive income (loss) for the period	14	4	27	(8)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,920	2,373	18,059	17,669

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

**Interim Condensed Statement of Financial Position
As at 30 June 2021 (Unaudited)**

		(Audited)		
		30 June 2021	31 December 2020	30 June 2020
	Notes	KD'000	KD'000	KD'000
ASSETS				
Cash and balances with banks	6	114,593	184,276	86,667
Deposits with the Central Bank of Kuwait		277,404	274,476	316,044
Deposits with other banks		410,652	322,281	459,932
Financing receivables	7	3,171,853	3,113,685	3,098,907
Investment securities		372,887	392,492	379,645
Investment in associate		7,667	7,778	7,867
Investment properties		15,127	18,360	19,419
Premises and equipment		40,210	40,109	41,156
Other assets		27,028	16,541	17,105
TOTAL ASSETS		4,437,421	4,369,998	4,426,742
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from banks and other financial institutions		602,063	772,097	1,048,698
Deposits from customers		3,065,875	3,008,222	2,786,568
Repurchase agreements with banks		-	7,585	-
Other liabilities		81,829	78,891	99,084
		3,749,767	3,866,795	3,934,350
EQUITY				
Share capital	8	238,245	216,587	216,587
Reserves		263,947	269,933	259,122
		502,192	486,520	475,709
Treasury shares	8	(43,957)	(43,957)	(43,957)
Attributable to Bank's equity shareholders		458,235	442,563	431,752
Perpetual Tier 1 Sukuks	9	229,419	60,640	60,640
TOTAL EQUITY		687,654	503,203	492,392
TOTAL LIABILITIES AND EQUITY		4,437,421	4,369,998	4,426,742



Dr. Anwar Ali Al-Mudhaf
Chairman




Jehad Al-Humaidhi
Acting Chief Executive Officer

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

Interim Condensed Statement of Changes in Equity For the period ended 30 June 2021 (Unaudited)

Attributable to the Bank's equity shareholders Reserves

	Share capital KD'000	Share premium KD'000	Legal reserve KD'000	General reserve KD'000	Retained earnings KD'000	Cumulative changes in fair values KD'000	Property revaluation reserve KD'000	Treasury shares reserve KD'000	Total reserves KD'000	Treasury shares KD'000	Perpetual Tier 1 Sukuks KD'000	Total Equity KD'000
Balance as at 1 January 2021	216,587	12,883	93,188	22,660	126,661	3,290	10,277	974	269,933	(43,957)	60,640	503,203
Profit for the period	-	-	-	-	18,032	-	-	-	18,032	-	-	18,032
Other comprehensive income for the period	-	-	-	-	-	27	-	-	27	-	-	27
Total comprehensive income for the period	-	-	-	-	18,032	27	-	-	18,059	-	-	18,059
Proceeds from issue of perpetual Tier 1 Sukuk-2021 (Note 9)	-	-	-	-	-	-	-	-	-	-	180,660	180,660
Partial redemption pursuant to tendering of perpetual Tier 1 Sukuk 2016 (Note 9)	-	-	-	-	-	-	-	-	-	-	(11,881)	(11,881)
Perpetual Tier 1 Sukuk issuance cost and others	-	-	-	-	(634)	-	-	-	(634)	-	-	(634)
Profit payment on Tier 1 Sukuk (Note 9)	-	-	-	-	(1,753)	-	-	-	(1,753)	-	-	(1,753)
Issue of bonus shares – 2020 (Note 8)	21,658	-	-	-	(21,658)	-	-	-	(21,658)	-	-	-
Balance as at 30 June 2021	238,245	12,883	93,188	22,660	120,648	3,317	10,277	974	263,947	(43,957)	229,419	687,654
Balance as at 1 January 2020	206,273	12,883	90,046	22,660	153,272	3,460	9,907	974	293,202	(43,957)	60,640	516,158
Profit for the period	-	-	-	-	17,677	-	-	-	17,677	-	-	17,677
Other comprehensive loss for the period	-	-	-	-	-	(8)	-	-	(8)	-	-	(8)
Total comprehensive income (loss) for the period	-	-	-	-	17,677	(8)	-	-	17,669	-	-	17,669
Dividend-2019 (Note 8)	-	-	-	-	(27,858)	-	-	-	(27,858)	-	-	(27,858)
Issue of bonus shares – 2019 (Note 8)	10,314	-	-	-	(10,314)	-	-	-	(10,314)	-	-	-
Profit payment on Tier 1 Sukuk (Note 9)	-	-	-	-	(1,708)	-	-	-	(1,708)	-	-	(1,708)
Transfer of fair value reserve of equity instruments designated at FVOCI on recognition	-	-	-	-	3	(3)	-	-	-	-	-	-
Modification loss on payment deferral Program (Note 2)	-	-	-	-	(11,515)	-	-	-	(11,515)	-	-	(11,515)
Other transactions	-	-	-	-	(354)	-	-	-	(354)	-	-	(354)
Balance as at 30 June 2020	216,587	12,883	90,046	22,660	119,203	3,449	9,907	974	259,122	(43,957)	60,640	492,392

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

**Interim Condensed Statement of Cash Flows
For the period ended 30 June 2021 (Unaudited)**

	<i>Six months ended</i>	
	<i>30 June</i>	
<i>Notes</i>	2021	2020
	KD'000	KD'000
OPERATING ACTIVITIES		
Profit before taxation	18,844	18,522
<i>Adjustments to reconcile profit before taxation to net cash flows:</i>		
Net gain from investment securities	(2,268)	(5,649)
Net gain on sale of investment properties	(666)	(589)
Amortisation	1,067	851
Share of results from an associate	76	531
Dividend income	-	(14)
Net loss from investment properties	8	4
Depreciation of premises and equipment	2,055	2,034
Provision and impairment losses	10,942	11,758
	30,058	27,448
<i>Changes in operating assets and liabilities:</i>		
Deposits with the Central Bank of Kuwait	7,071	38,787
Deposits with other banks	(88,280)	(11,563)
Financing receivables	(78,204)	(101,621)
Other assets	(273)	93
Deposits from banks and other financial institutions	(169,958)	(1,069)
Deposits from customers	57,653	89,584
Repurchase agreements with banks	(7,585)	-
Other liabilities	8,410	(7,764)
Taxes paid	(862)	-
Net cash flows (used in) from operating activities	(241,970)	33,895
INVESTING ACTIVITIES		
Purchase of investment securities	(134,771)	(104,032)
Sale and redemption of investment securities	147,817	47,762
Proceeds from sale of investment properties	3,893	10,387
Purchase of premises and equipment	(1,037)	(1,565)
Dividend income received	-	14
Net loss from investment properties	(8)	(4)
Net cash from (used in) investing activities	15,894	(47,438)
FINANCING ACTIVITIES		
Dividends paid to shareholders	-	(27,858)
Proceeds from issue of perpetual Tier 1 Sukuk-2021	180,660	-
Perpetual Tier 1 Sukuk issuance cost	(645)	-
Partial redemption pursuant to tendering of perpetual Tier 1 Sukuk 2016	(11,870)	-
Profit payment on Tier 1 Sukuk	(1,753)	(1,708)
Net cash from (used in) financing activities	166,392	(29,566)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at 1 January	(59,684)	(43,109)
CASH AND CASH EQUIVALENTS AT 30 JUNE	259,281	229,779
	6	199,597
		186,670

Financing income received amounted to KD 60,332 thousand (30 June 2020: KD 71,899 thousand) and distribution to depositors made amounted to KD 19,406 thousand (30 June 2020: KD 46,782 thousand).

The attached notes 1 to 15 form part of the interim condensed financial information.

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2021 (Unaudited)

1 INCORPORATION AND ACTIVITIES

Ahli United Bank K.S.C.P. (the “Bank”) is a public shareholding company incorporated in Kuwait in 1971 and is listed on Boursa Kuwait since 1985. It is engaged in carrying out banking activities in accordance with Islamic Sharia’a and is regulated by the Central Bank of Kuwait (“CBK”). Its registered office is at Darwazat Al-Abdul Razzak, P. O. Box 71, Safat 12168, Kuwait.

The Bank commenced operations as an Islamic bank from 1 April 2010. From that date, all activities are conducted in accordance with Islamic Sharia’a, as approved by the Bank’s Fatwa and Sharia’a Supervisory Board.

The Bank is a subsidiary of Ahli United Bank B.S.C., a Bahraini bank (the “Parent”), listed on the Bahrain Stock Exchange and Boursa Kuwait.

The interim condensed financial information of the Bank for the period ended 30 June 2021 was authorised for issue in accordance with a resolution of the Board of Directors on 07 July 2021.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial information of the Bank has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” except for point (a) below.

- a) The financial statements have been prepared in accordance with the regulations for financial services institutions as issued by the Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:
 - (i) Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
 - (ii) Recognition of modification losses on financial assets arising from payment holidays to customers in response to Covid-19 set out in the CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020 (“the 2020 scheme”) to be recognized in retained earnings instead of profit or loss as required by IFRS 9 as issued by IASB

The above framework is hereinafter referred to as ‘IFRS as adopted by CBK for use by the State of Kuwait’.

The interim condensed financial information does not contain all information and disclosures required for full financial statements prepared in accordance with IFRS, and should be read in conjunction with the Bank’s annual financial statements for the year ended 31 December 2020. Further, results for the period ended 30 June 2021, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE BANK

The accounting policies adopted in the preparation of the interim condensed financial information are consistent with those followed in the preparation of the Bank’s annual financial statements for the year ended 31 December 2020. The Bank has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed financial information of the Bank.

The key changes to the Bank’s accounting policies resulting from its adoption of new standards are summarised below:

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2021 (Unaudited)

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE BANK (CONTINUED)

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

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:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- 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

These amendments had no material impact on the interim condensed financial information of the Bank.

The Bank intends to use the practical expedients in future periods if they become applicable.

Other amendments to IFRS which are effective for annual accounting period starting from 1 January 2021 did not have any material impact on the accounting policies, financial position or performance of the Bank.

4 DISTRIBUTION TO DEPOSITORS

The Board of Directors of the Bank determines and distributes the depositors' share of profit based on the Bank's results at the end of each quarter.

5 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for periods presented in the interim condensed statement of profit or loss are calculated as follows:

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Profit for the period (KD'000)	6,906	2,369	18,032	17,677
Less: Profit payments on Tier 1 sukuku	(1,753)	(1,708)	(1,753)	(1,708)
Profit for the period after profit payment on Tier 1 sukuku	5,153	661	16,279	15,969
Weighted average number of shares outstanding during the period	2,145,034,556	2,145,034,556	2,145,034,556	2,145,034,556
Basic and diluted earnings per share attributable to the Bank's equity shareholders (fils)	2.4	0.3	7.6	7.4

Earnings per share for the three months and six months ended 30 June 2020 was 0.3 fils and 8.2 fils before retroactive adjustment to the number of shares following the bonus issue as approved by the shareholders' annual general assembly meeting (AGM) held on 20 April 2021 (Note 8).

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

Ahli United Bank K.S.C.P.

**Notes to the Interim Condensed Financial Information
As at 30 June 2021 (Unaudited)**

6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the interim condensed statement of cash flows consists of the following:

	30 June 2021 KD'000	<i>(Audited)</i> 31 December 2020 KD'000	30 June 2020 KD'000
Cash and balances with banks	114,593	184,276	86,667
Deposits with Central banks and other banks - with an original maturity of seven days or less	85,004	75,005	100,003
	199,597	259,281	186,670

7 FINANCING RECEIVABLES

	30 June 2021 KD 000's	<i>(Audited)</i> 31 December 2020 KD 000's	30 June 2020 KD 000's
Financing receivables	3,312,107	3,249,221	3,215,145
Less: Provision for impairment	(140,254)	(135,536)	(116,238)
	3,171,853	3,113,685	3,098,907

The total ECL provision determined under IFRS 9 guidelines issued by the CBK for credit facilities as of 30 June 2021 is KD 82,580 thousand (31 December 2020: KD 88,412 thousand and 30 June 2020: KD 88,203 thousands), which is lower than the provision for credit losses calculated and booked in accordance with CBK instructions amounting to KD 148,276 thousands (31 December 2020: KD 143,566 thousands and 30 June 2020: KD 124,355 thousands), of which provision for credit losses on cash facilities amounts to KD 140,254 thousands (31 December 2020 KD 135,536 thousands and 30 June 2020 KD 116,238 thousands).

An analysis of the carrying amounts of Credit Facilities, based on the staging criteria under IFRS 9 in accordance with CBK regulations is presented in the table below. For contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed, respectively:

30 June 2021	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Financing receivables	3,081,508	162,907	67,692	3,312,107
Contingent liabilities	1,503,624	29,091	4,106	1,536,821
31 December 2020	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Financing receivables	3,011,010	173,193	65,018	3,249,221
Contingent liabilities	1,485,027	32,964	4,113	1,522,104
30 June 2020	Stage 1 KD 000's	Stage 2 KD 000's	Stage 3 KD 000's	Total KD 000's
Financing receivables	3,014,048	138,568	62,529	3,215,145
Contingent liabilities	1,385,418	43,758	4,310	1,433,486

Ahli United Bank K.S.C.P.

**Notes to the Interim Condensed Financial Information
As at 30 June 2021 (Unaudited)**

7 FINANCING RECEIVABLES (CONTINUED)

An analysis of the changes in the Expected Credit Losses in relation to credit facilities (cash and non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines is presented in the table below:

<i>30 June 2021</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
At 1 January 2021	13,789	28,056	46,567	88,412
Impact due to transfer between stages	595	(1,249)	654	-
Additional ECL for the period	1,001	(4,362)	3,437	76
Amounts written-off	-	(201)	(5,707)	(5,908)
As at 30 June 2021	15,385	22,244	44,951	82,580

<i>31 December 2020</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
At 1 January 2020	11,731	20,135	22,232	54,098
Impact due to transfer between stages	247	(3,262)	3,015	-
Additional ECL for the year	1,811	11,183	22,438	35,432
Amounts written-off	-	-	(1,118)	(1,118)
At 31 December 2020	13,789	28,056	46,567	88,412

<i>30 June 2020</i>	<i>Stage 1 KD 000's</i>	<i>Stage 2 KD 000's</i>	<i>Stage 3 KD 000's</i>	<i>Total KD 000's</i>
At 1 January 2020	11,731	20,135	22,232	54,098
Impact due to transfer between stages	(23)	(1,637)	1,660	-
Additional ECL for the period	4,236	12,470	17,404	34,110
Amounts written-off	-	-	(5)	(5)
At 30 June 2020	15,944	30,968	41,291	88,203

8 EQUITY

- a) The shareholders at the AGM held on 20 April 2021, approved the audited financial statements of the Bank for the year ended 31 December 2020 and issuance of bonus shares of 10% (2019: 5% and the distribution of cash dividends of 15 fils per share).
- b) Treasury shares

	<i>30 June 2021</i>	<i>(Audited) 31 December 2020</i>	<i>30 June 2020</i>
Number of treasury shares	237,419,977	215,836,343	215,836,343
Treasury shares as a percentage of total shares issued	9.97%	9.97%	9.97%
Cost of treasury shares (KD' 000)	43,957	43,957	43,957
Market value of treasury shares (KD 000)	70,989	62,377	54,391
Weighted average market value per treasury share (fils)	299	284	287

Amount equivalent to cost of treasury shares has been retained out of reserves as non-distributable throughout the holding period of the treasury shares.

Ahli United Bank K.S.C.P.

**Notes to the Interim Condensed Financial Information
As at 30 June 2021 (Unaudited)**

9 PERPETUAL TIER 1 SUKUKS

The Bank, through a Sharia'a compliant Sukuk arrangement, issued "Tier 1 Sukuk – 2016" Capital Certificates amounting to USD 200 million in October 2016, and "Tier 1 Sukuk – 2021" Capital Certificates amounting to USD 600 million in June 2021 (together "Tier 1 Sukuks"). Tier 1 Sukuks are perpetual securities in respect of which there are no fixed redemption dates and constitute direct, unsecured, deeply subordinated obligations (senior only to share capital) of the Bank subject to the terms and conditions of the Mudaraba Agreement. The Tier 1 Sukuks are listed on the Irish Stock Exchange and NASDAQ Dubai.

Tier 1 Sukuk - 2016 bears profit rate of 5.5% per annum to be paid semi-annually in arrears subject to terms of the issue. The First Call Date of Tier 1 Sukuk -2016 is after 5 years of the issuance date, ending October 2021 (the "First Call Date") or callable on any profit payment date thereafter subject to certain redemption conditions including prior CBK approval. The Bank has already obtained the approval to recall Tier 1 Sukuks -2016 Capital Certificates at the discretion of the Bank. In June 2021, the Bank announced a tender offer to the holders of the outstanding Tier 1 Sukuk- 2016 under the terms of the Tender Offer Memorandum and the Bank fully settled the accepted validly tendered Capital Certificates amounting to USD 39,185 thousands. Accordingly the aggregate face amount of the outstanding Tier 1 Sukuk – 2016 securities as of 30 June 2021 is USD 160,815 thousands.

Tier 1 Sukuk - 2021 bears a profit rate of 3.875% per annum to be paid semi-annually in arrears until the First Reset Date (5.5 years from the issue date) subject to terms of the issue. After that, the expected profit rate will be reset every fifth anniversary based on the then prevailing 5 years U.S Mid Swap Rate plus an initial margin of 3.011 % per annum. The First Call Date of Tier 1 Sukuk -2021 is after 5 years of the issuance date (June 2026). Tier 1 Sukuk – 2021 is callable by the Bank any day falling in the period commencing on (and including) the First Call Date and ending on (and including) the First Reset Date or on any profit payment date thereafter subject to certain redemption conditions including prior CBK approval.

The net proceeds of Tier 1 Sukuks are invested by way of Mudaraba with the Bank (as Mudareb) on an unrestricted basis, in the Bank's general business activities carried out through the general Mudaraba pool.

At the Issuer's sole discretion, it may elect not to make any Mudaraba distributions and, in such event, the Mudaraba profit will not be accumulated and the event is not considered an event of default.

10 TRANSACTIONS WITH RELATED PARTIES

The Bank enters into transactions with the parent, subsidiaries, associates, major shareholders, directors and key management, close members of their families and entities controlled, jointly controlled or significantly influenced by such parties in the ordinary course of business. The terms of these transactions are approved by the Bank's management.

The related party balances in the interim condensed financial information are as follows:

	<i>Number of Board members or executive officers</i>	<i>Number of related parties</i>	<i>Parent KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
<i>As at 30 June 2021</i>					
Financing receivables	-	6	-	26,979	26,979
Deposits with other banks	-	4	121,016	349	121,365
Other assets	-	1	206	-	206
Deposits from banks and financial institutions	-	10	19,592	7,731	27,323
Deposits from customers	17	21	-	16,702	16,702
Other liabilities	-	2	7,242	393	7,635
Commitments and contingent liabilities	-	4	15,853	19,583	35,436
Islamic Forward Agreements (Notional amount)	-	1	7,752	-	7,752
Profit rate swaps (Notional amount)	-	1	186,140	-	186,140

Ahli United Bank K.S.C.P.

**Notes to the Interim Condensed Financial Information
As at 30 June 2021 (Unaudited)**

10 TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	<i>Number of Board members or executive officers</i>	<i>Number of related parties</i>	<i>Parent KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
<i>(Audited)</i>					
<i>As at 31 December 2020</i>					
Financing receivables	-	6	-	21,107	21,107
Deposits with other banks	-	4	135,494	289	135,783
Other assets	-	1	74	-	74
Deposits from banks and financial institutions	-	9	20,985	354,705	375,690
Deposits from customers	21	21	-	9,723	9,723
Other liabilities	-	2	14,855	381	15,236
Commitments and contingent liabilities	-	6	12,846	19,830	32,676
Islamic Forward Agreements (Notional amount)	-	1	3,048	-	3,048
Profit rate swaps (Notional amount)	-	1	233,391	-	233,391
<i>As at 30 June 2020</i>					
Financing receivables	-	6	-	22,394	22,394
Deposits with other banks	-	5	137,676	3,566	141,242
Other assets	-	1	85	-	85
Deposits from banks and financial institutions	-	9	33,902	435,961	469,863
Deposits from customers	22	22	-	7,360	7,360
Other liabilities	-	2	18,542	531	19,073
Commitments and contingent liabilities	-	5	13,387	18,988	32,375
Islamic Forward Agreements (Notional amount)	-	1	15,192	-	15,192
Profit rate swaps (Notional amount)	-	1	236,893	-	236,893

Transactions with related parties included in the interim condensed financial information are as follows:

	<i>Parent KD'000</i>	<i>Others KD'000</i>	<i>Total KD'000</i>
Transactions			
<i>Six months ended 30 June 2021</i>			
Financing income	574	357	931
Net payments against profit rate swaps	1,690	-	1,690
Distribution to depositors	78	545	623
Insurance expenses	-	1,037	1,037
<i>Six months ended 30 June 2020</i>			
Financing income	1,199	521	1,720
Net payments against profit rate swaps	543	-	543
Distribution to depositors	175	6,310	6,485
Insurance expenses	-	987	987

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2021 (Unaudited)

11 COMMITMENTS AND CONTINGENT LIABILITIES

a) Financial instruments with contractual amounts representing credit risk:

	<i>30 June 2021 KD'000</i>	<i>(Audited) 31 December 2020 KD'000</i>	<i>30 June 2020 KD'000</i>
Acceptances	22,696	30,829	31,811
Letters of credit	60,176	41,014	40,954
Guarantees	412,764	427,738	419,764
	495,636	499,581	492,529

Irrevocable credit commitments to extend credit as at the statement of financial position date amounted to KD 761 thousand (31 December 2020: KD 2,300 thousand and 30 June 2020: KD 7,090 thousand).

b) The capital commitment for purchase of assets as at 30 June 2021 is KD 773 thousand (31 December 2020: KD 661 thousand and 30 June 2020: KD 1,080 thousand).

12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

Islamic forward agreements (Waad)

In the ordinary course of business, the Bank enters into various types of transactions that involve financial instruments represented in forward foreign exchange agreements (Waad) to mitigate foreign currency risk. A Waad is a financial transaction between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index in accordance with Islamic Sharia'a.

The notional amount, disclosed gross, is the amount of a Waad's underlying asset/liability and is the basis upon which changes in the value are measured.

The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk.

Profit rate swaps (PRS)

Profit rate swaps are contractual agreements between two parties and may involve exchange of profit or exchange of both principal and profit for a fixed period of time based on contractual terms.

The notional amounts indicate the volume of transactions outstanding at the period-end and are neither indicative of the market risk nor credit risk.

The fair value of derivative financial instruments included in the financial records, together with their notional amounts is summarised as follows:

	<i>30 June 2021</i>			<i>(Audited) 31 December 2020</i>			<i>30 June 2020</i>		
	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional KD 000's</i>	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional KD 000's</i>	<i>Positive fair value KD 000's</i>	<i>Negative fair value KD 000's</i>	<i>Notional KD 000's</i>
Waad	60	57	15,503	41	39	6,095	85	58	30,362
Profit rate swaps (held as fair value hedge)	206	7,185	186,140	33	14,855	233,391	-	18,542	236,893
	266	7,242	201,643	74	14,894	239,486	85	18,600	267,255

All derivative contracts are fair valued based on observable market inputs and are classified as Level 2.

Ahli United Bank K.S.C.P.

Notes to the Interim Condensed Financial Information As at 30 June 2021 (Unaudited)

12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING (CONTINUED)

Fair value hedges

The net fair value of Profit rate swaps held as fair value hedges as at 30 June 2021 is negative KD 6,979 thousand (31 December 2020: negative KD 14,822 thousand and 30 June 2020: 18,542 thousand) which is offset by gain recognised on the hedged items at 30 June 2021, attributable to the hedged risk KD 6,979 thousand (31 December 2020: KD 14,822 thousands and 30 June 2020: 18,542 thousand). These offsetting gains and losses are included in 'Net gain from investment securities' in the interim condensed statement of profit or loss for the period ended 30 June 2021.

Hedging instruments are issued to hedge against profit rate risk pertaining to hedged items. Hedged items include certain investment securities at amortized cost amounting to KD 241,237 thousand (31 December 2020: KD 256,121 thousand and 30 June 2020: 301,818 thousand).

13 SEGMENT INFORMATION

The Bank's operating segments are determined based on the reports reviewed by the Chief Operating decision maker that are used for strategic decisions. These segments are strategic business units having similar economic characteristics that offer different products and services. These operating segments are monitored separately by the Bank for the purpose of making decisions about resource allocation and performance assessment.

These operating segments meet the criteria for reportable segments and are as follows:

- ▶ Retail and Commercial Banking – comprising a full range of banking operations covering credit and deposit services provided to customers and correspondent banking. The Bank uses a common marketing and distribution strategy for its commercial banking operations.
- ▶ Treasury and Investment Management – comprising clearing, money market, foreign exchange, sukuk, other treasury and miscellaneous operations, proprietary investment, securities trading activities and fiduciary fund management activities.

Segment results include revenue and expenses directly attributable to a segment and an allocation of overhead cost.

The Bank measures the performance of operating segments through segment profit or loss net of taxes in management and reporting systems.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment.

Segment information for the six-month periods ended 30 June 2021 and 30 June 2020 are as follows:

	<i>Retail and Commercial Banking</i>		<i>Treasury and Investment Management</i>		<i>Total</i>	
	<i>2021 KD'000</i>	<i>2020 KD'000</i>	<i>2021 KD'000</i>	<i>2020 KD'000</i>	<i>2021 KD'000</i>	<i>2020 KD'000</i>
Net financing income	25,219	23,874	13,447	13,222	38,666	37,096
Fees, commissions and others	3,808	3,066	3,863	8,396	7,671	11,462
Total operating income	29,027	26,940	17,310	21,618	46,337	48,558
Provision and impairment losses	(9,821)	(8,984)	(1,121)	(2,774)	(10,942)	(11,758)
Operating expenses and taxation	(14,240)	(15,690)	(3,123)	(3,433)	(17,363)	(19,123)
Segment result	4,966	2,266	13,066	15,411	18,032	17,677

Ahli United Bank K.S.C.P.

**Notes to the Interim Condensed Financial Information
As at 30 June 2021 (Unaudited)**

13 SEGMENT INFORMATION (CONTINUED)

	<i>Retail and Commercial Banking KD'000</i>	<i>Treasury and Investment Management KD'000</i>	<i>Total KD'000</i>
<i>As at 30 June 2021</i>			
Segment assets	3,245,110	1,192,311	<u>4,437,421</u>
Segment liabilities	2,544,330	1,205,437	<u>3,749,767</u>
<i>As at 31 December 2020 (Audited)</i>			
Segment assets	3,188,341	1,181,657	<u>4,369,998</u>
Segment liabilities	2,457,916	1,408,879	<u>3,866,795</u>
<i>As at 30 June 2020</i>			
Segment assets	3,173,651	1,253,091	<u>4,426,742</u>
Segment liabilities	2,235,941	1,698,409	<u>3,934,350</u>

14 FAIR VALUE MEASUREMENT

The following table provides the fair value measurement hierarchy of the Bank's financial instruments:

Fair value measurement hierarchy for assets and liabilities is as follows:

	<i>Level 1 KD'000</i>	<i>Level 2 KD'000</i>	<i>Level 3 KD'000</i>	<i>Total KD'000</i>
<i>30 June 2021</i>				
Assets measured at fair value				
Financial assets				
Investment securities	-	1,341	4,346	5,687
Derivative financial instruments				
Waad	-	60	-	60
Profit rate swap	-	206	-	206
	-	266	-	266
	-	1,607	4,346	5,953
Liabilities measured at fair value				
Derivative financial instruments				
Waad	-	57	-	57
Profit rate swap	-	7,185	-	7,185
	-	7,242	-	7,242
<i>31 December 2020 (Audited)</i>				
Assets measured at fair value				
Financial assets				
Investment securities	11	1,352	4,224	5,587
Derivative financial instrument				
Waad	-	41	-	41
Profit rate swap	-	33	-	33
	-	74	-	74
	11	1,426	4,224	5,661
Liabilities measured at fair value				
Derivative financial instrument				
Waad	-	39	-	39
Profit rate swap	-	14,855	-	14,855
	-	14,894	-	14,894

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14 FAIR VALUE MEASUREMENT (CONTINUED)

	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
<i>30 June 2020</i>				
Assets measured at fair value				
Financial assets				
Investment securities	9	1,274	4,528	5,811
Derivative financial instruments				
Waad	-	85	-	85
Profit rate swap	-	-	-	-
	-	85	-	85
	9	1,359	4,528	5,896
Liabilities measured at fair value				
Derivative financial instruments				
Waad	-	58	-	58
Profit rate swap	-	18,542	-	18,542
	-	18,600	-	18,600

The fair values of the other financial liabilities are not materially different from their carrying values, since these liabilities are repriced at intervals of three or six months, depending on the terms and conditions of the instrument and the resultant applicable margins approximate the current spreads that would apply for borrowings with similar maturities.

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

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Sensitivity analysis on fair value estimation, by varying input assumptions by a reasonable margin, did not indicate any material impacts on statement of financial position or statement of income.

15 IMPACT OF COVID-19 OUTBREAK

The Bank considered the potential impact of the uncertainties caused by the COVID-19 pandemic together with the associated economic support and relief measures of government and central bank in its estimation of ECL requirements for the period ended 30 June 2021.

Significant increase in credit risk

The Bank considered the following aspects to assess if there was significant increase in credit risk or objective evidence of impairment in the light of COVID-19 situation.

- Temporary financial difficulties of the customers are distinguished from longer-term or permanent impact
- Customers operating in certain sectors or industries are likely to be more severely impacted
- Deferral of instalments or profit payments on financing facilities will not automatically trigger significant increase in credit risk
- Retail facilities to certain customer segment are more likely to have significant increase in credit risk arising from job losses and pay cuts
- Significant corporate exposures are individually assessed to identify significant increase in credit risk as and when reliable data is available

The above assessment has resulted in staging downgrade of certain exposures and corresponding increase in ECL.

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Notes to the Interim Condensed Financial Information As at 30 June 2021 (Unaudited)

15 IMPACT OF COVID-19 OUTBREAK (CONTINUED)

Macro-economic factors

The Bank considered the volatility witnessed in the range of macroeconomic factors and in the scenarios used for determination of ECL. In particular, given the continuing uncertainty stemming from fast evolving Covid-19, the Bank revised certain assumptions reflected through constructing a plausible forward-looking view of the macroeconomic environment. The Bank applies a high probability weightage to the severe scenario combined with the revised forecasts of macro-economic factors which are considered on a very conservative basis. These adjustments were considered in the amount of ECL requirements for the period ended 30 June 2021.

Notwithstanding the above, ECL requirement for financing receivables estimated as at 30 June 2021 continues to be lower than the provisions required as per the CBK instructions. In accordance with the Bank's accounting policy, the higher amount, being the provision required as per the CBK instructions, is therefore recognised as the provision requirement for credit losses on financing receivables.

Covid-19 support measures

In 2020, Central Bank of Kuwait (CBK) implemented various measures targeted at reinforcing the banking sectors' ability to play a vital role in the economy. Those measures are disclosed in the Bank's annual financial statements for the year ended 31 December 2020.

2021 consumer and other instalments financing deferral scheme

Kuwait banks announced postponement of payment of consumer and instalment financing to eligible customer, upon request, in accordance with the CBK circular No. 2/BS/IBS/IS/IIS/FS/476/2021 dated 18 April 2021 concerning the implementing provisions of Article No. (2) of Law No. (3) of 2021 ("the Law") regarding the deferral of the financial obligations for a six-month period with cancellation of profits resulting from this deferral ("the 2021 scheme"). The cost of the instalment deferrals are fully borne by the Government of Kuwait in accordance with the Law.

The Bank implemented the 2021 scheme by postponing the instalments for a six-month period from the customer request date with the corresponding extension of the facility tenure. The instalment deferral resulted in a loss to the Bank arising from the modification of contractual cash-flows, provisionally estimated at KD 10,207 thousand in accordance with IFRS 9. This loss was offset by an equivalent amount receivable from Government of Kuwait as Government Grant in accordance with the Law. The Bank has recorded the Government grant income by setting it off against the modification loss from the 2021 scheme. The Government grant receivable is included in other assets in the interim condensed statement of financial position.

Other impacts

The Bank considered the potential impact of the current economic volatility on the reported amounts of the Bank's financial and non-financial assets. The reported amounts best represent management's assessment based on observable information. Markets, however, remain volatile and asset carrying values remain sensitive to market fluctuations. The impact of the highly uncertain economic environment remains judgmental and the Bank will accordingly continue to reassess its position and the related impact on a regular basis.