

WARBA BANK K.S.C.P.
INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
(UNAUDITED)

30 JUNE 2021



Building a better
working world

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Warba Bank K.S.C.P. (the “Bank”) and its subsidiaries (collectively the “Group”) as at 30 June 2021, and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and six-month period then ended and the related interim condensed consolidated statement of changes in equity and interim condensed consolidated 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 consolidated financial information in accordance with the basis of preparation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated 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 condensed consolidated 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 interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated 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, 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.

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.

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

DR. RASHEED M. AL – QENAE
LICENSE NO. 130 - A
OF KPMG SAFI AL-MUTAWA & PARTNERS
MEMBER FIRM OF KPMG INTERNATIONAL


5 August 2021
Kuwait

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2021

		<i>(Audited)</i>	
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
<i>Notes</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
ASSETS			
Cash and bank balances	3	91,794	110,999
Placements with banks and the CBK		381,453	357,897
Financing receivables	4	2,480,989	2,497,366
Financial assets at fair value through profit or loss	12	108,419	90,929
Financial assets at fair value through other comprehensive income	12	280,759	237,050
Investment in joint ventures		105,283	108,240
Investment properties		30,160	30,039
Other assets		48,212	23,074
Property and equipment		18,661	19,660
TOTAL ASSETS		3,545,730	3,475,254
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks and other financial institutions		607,921	494,355
Depositors' accounts		2,302,604	2,353,454
Sukuk issued	5	301,314	302,429
Other liabilities		59,209	44,922
TOTAL LIABILITIES		3,271,048	3,195,160
EQUITY			
Share capital	6	157,500	157,500
Share premium		40,000	40,000
Statutory reserve		3,098	3,098
Fair value reserve		(6,205)	1,676
Foreign currency translation reserve		345	1,469
Retained earnings (Accumulated losses)		3,581	(12)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK		198,319	203,731
Perpetual Tier 1 Sukuk		76,363	76,363
TOTAL EQUITY		274,682	280,094
TOTAL LIABILITIES AND EQUITY		3,545,730	3,475,254


Abdulwahab A. Al Houti
Chairman


Shaheen H. Al Ghanem
Chief Executive Officer

The accompanying notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)

For the period ended 30 June 2021

	Notes	<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>
Placements and finance income		24,026	26,930	47,051	57,993
Finance costs and distribution to depositors		(12,092)	(16,849)	(23,678)	(36,179)
Net finance income		11,934	10,081	23,373	21,814
Net investment income		7,413	1,197	13,647	4,081
Net fee and commission income		774	1,250	1,370	2,135
Other income		168	103	276	144
Foreign exchange gain (loss)		325	(604)	1,645	(1,930)
Net operating income		20,614	12,027	40,311	26,244
Staff costs		(4,764)	(4,557)	(9,275)	(8,871)
General and administrative expenses		(994)	(743)	(1,803)	(2,173)
Depreciation expense		(1,418)	(1,095)	(2,878)	(1,937)
Net operating expenses		(7,176)	(6,395)	(13,956)	(12,981)
Net operating profit before provision for impairment and credit losses		13,438	5,632	26,355	13,263
Provision for impairment and credit losses	7	(10,008)	(22,700)	(20,011)	(28,139)
Profit (loss) before tax		3,430	(17,068)	6,344	(14,876)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(31)	20	(57)	-
National Labour Support Tax (NLST)		(89)	63	(165)	-
Zakat		(36)	25	(66)	-
NET PROFIT (LOSS) FOR THE PERIOD		3,274	(16,960)	6,056	(14,876)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	8	2.08 fils	(10.77) fils	2.28 fils	(11.03) fils

The accompanying notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2021

	<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>
NET PROFIT (LOSS) FOR THE PERIOD	3,274	(16,960)	6,056	(14,876)
Other comprehensive (loss) income				
<i>Other comprehensive (loss) income that will be reclassified to profit or loss:</i>				
<i>Debt instruments at fair value through other comprehensive income:</i>				
Net change in fair value	(7,718)	15,337	(7,291)	(7,232)
Changes in allowance for expected credit losses	396	(370)	363	(565)
Reclassification adjustment on sale	(797)	19	(953)	(110)
Net (losses) / gains on debt instruments at fair value through other comprehensive income	(8,119)	14,986	(7,881)	(7,907)
<i>Foreign currency translation:</i>				
Exchange differences on translation of foreign operations	(277)	(117)	(800)	384
Reclassification adjustment on disposal of a joint venture	(324)	-	(324)	-
	(601)	(117)	(1,124)	384
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE PERIOD	(8,720)	14,869	(9,005)	(7,523)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(5,446)	(2,091)	(2,949)	(22,399)

Warba Bank K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2021

	<i>Share capital KD'000</i>	<i>Share premium KD'000</i>	<i>Statutory reserve KD'000</i>	<i>Fair value reserve KD'000</i>	<i>Foreign currency translation reserve KD'000</i>	<i>(Accumulated losses) Retained earnings KD'000</i>	<i>Sub-total KD'000</i>	<i>Proposed distributions KD'000</i>	<i>Equity attributable to shareholders of the Bank KD'000</i>	<i>Perpetual Tier 1 Sukuk KD'000</i>	<i>Total equity KD'000</i>
As at 1 January 2021	157,500	40,000	3,098	1,676	1,469	(12)	203,731	-	203,731	76,363	280,094
Net profit for the period	-	-	-	-	-	6,056	6,056	-	6,056	-	6,056
Other comprehensive loss	-	-	-	(7,881)	(1,124)	-	(9,005)	-	(9,005)	-	(9,005)
Total comprehensive (loss) income for the period	-	-	-	(7,881)	(1,124)	6,056	(2,949)	-	(2,949)	-	(2,949)
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(2,463)	(2,463)	-	(2,463)	-	(2,463)
At 30 June 2021	157,500	40,000	3,098	(6,205)	345	3,581	198,319	-	198,319	76,363	274,682
As at 1 January 2020	150,000	40,000	3,098	7,211	127	10,061	210,497	7,500	217,997	76,363	294,360
Net loss for the period	-	-	-	-	-	(14,876)	(14,876)	-	(14,876)	-	(14,876)
Other comprehensive (loss) income	-	-	-	(7,907)	384	-	(7,523)	-	(7,523)	-	(7,523)
Total comprehensive (loss) income for the period	-	-	-	(7,907)	384	(14,876)	(22,399)	-	(22,399)	-	(22,399)
Issue of bonus shares (Note 6)	7,500	-	-	-	-	-	7,500	(7,500)	-	-	-
Profit paid on Perpetual Tier 1 Sukuk	-	-	-	-	-	(2,492)	(2,492)	-	(2,492)	-	(2,492)
Modification loss on payment deferral program	-	-	-	-	-	(10,726)	(10,726)	-	(10,726)	-	(10,726)
At 30 June 2020	157,500	40,000	3,098	(696)	511	(18,033)	182,380	-	182,380	76,363	258,743

The accompanying notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)**

For the period ended 30 June 2021

	<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>
<i>Note</i>	KD'000	KD'000
OPERATING ACTIVITIES		
Profit (loss) before tax	6,344	(14,876)
<i>Adjustments for:</i>		
Realised gain on sale of debt instruments at FVOCI	(953)	(110)
Realised loss (gain) on sale of financial assets at FVPL	1	(2,101)
Dividend income from financial assets	(1,261)	(770)
Share of results from investments in joint ventures	(3,098)	(2,889)
Gain on sale of a joint venture	(2,179)	-
Net rental income from investment properties	(350)	(466)
Fair value adjustment to investment properties	15	903
Other investment income	(316)	(332)
Fair value (gain) loss from financial assets at FVPL	(5,506)	1,684
Provision for employees' end of service benefits	507	475
Depreciation expense	2,878	1,937
Provision for impairment and credit losses	20,011	28,139
	16,093	11,594
<i>Changes in operating assets and liabilities:</i>		
Placements with banks and the CBK	(4,006)	7,942
Financing receivables	(7,631)	(168,205)
Other assets	(15,496)	(13,986)
Due to banks and other financial institutions	113,566	(238,348)
Depositors' accounts	(50,850)	369,474
Other liabilities	11,580	(1,992)
Net cash flows from (used in) operating activities	63,256	(33,521)
INVESTING ACTIVITIES		
Purchase of financial assets at FVPL	(13,214)	(31,083)
Proceeds from sale/ redemption of financial assets at FVPL	1,229	11,434
Purchase of financial assets at FVOCI	(103,577)	(84,986)
Proceeds from sale of financial assets at FVOCI	49,103	61,642
Additions to investment in joint ventures	(8,179)	(11,507)
Proceeds from sale of a joint venture	9,876	-
Purchase of property and equipment	(44)	(2,801)
Dividends received from financial assets	1,261	822
Other investment income received	316	332
Distributions received from joint ventures	5,274	2,891
Rental income received	433	545
Net cash flows used in investing activities	(57,522)	(52,711)
FINANCING ACTIVITIES		
Profit paid to holders on Perpetual Tier 1 Sukuk	(2,463)	(2,492)
Payment of principal portion of lease liabilities	(1,956)	(734)
Net movement on Sukuk issued	(1,115)	152,527
Net cash flows (used in) from financing activities	(5,534)	149,301
NET INCREASE IN CASH AND CASH EQUIVALENTS	200	63,069
Cash and cash equivalents at 1 January	443,033	283,637
CASH AND CASH EQUIVALENTS AT 30 JUNE	443,233	346,706
<i>3</i>		
Additional information on operational cash flows		
Finance costs paid	24,661	32,518
Finance income received	47,835	46,662

The accompanying notes 1 to 13 form an integral part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

1 CORPORATE INFORMATION

Warba Bank K.S.C.P. (the "Bank") is a Kuwaiti public shareholding company, incorporated on 17 February 2010 in the State of Kuwait by virtue of Amiri Decree No. 289/2009. The Bank is registered as an Islamic banking institution in accordance with the rules and regulations of the Central Bank of Kuwait (the "CBK") on 7 April 2010 and its shares are publicly traded on the Boursa Kuwait. The Bank's head office is located at Al-Raya Tower, Mezzanine floor 1, Omar Ibn Al-Khattab Street and its registered postal address is P.O. Box 1220, Safat 13013, State of Kuwait.

The Bank is primarily involved in investment, corporate and retail banking activities in accordance with the principles of Islamic Shari'a, as approved by the Bank's Shari'a Supervisory Board.

The annual general assembly meeting ("AGM") of the shareholders of the Bank held on 30 March 2021 approved the consolidated financial statements for the year ended 31 December 2020. Distributions proposed and approved by the Bank for the year then ended are provided in Note 6.

This interim condensed consolidated financial information as at and for the six months ended 30 June 2021 includes the financial information of the Bank and its wholly owned special purpose vehicles (collectively, the "Group").

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 has been approved for issue in accordance with the Board of Directors resolution on 13 July 2021.

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "*Interim Financial Reporting*" except as noted below.

The consolidated 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 financing 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 as a result of COVID during the financial year ended 31 December 2020, as required by CBK circular no. 2/BS/IBS/461/2020 dated 5 July 2020. Modification losses referred to in the circular, should be recognized in retained earnings instead of profit or loss as would be required by IFRS 9. However, modification loss on financial assets arising from any other payment holidays to customers shall be recognized in profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020 are recognized in the statement of profit or loss. The application of the policy will result in application of different accounting presentation for modification loss in 2020 compared to 2021.

The above framework is herein after referred to as 'IFRS as adopted by CBK for use by the State of Kuwait'.

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at and for the year ended 31 December 2020.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The management 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 INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations, and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2021, but do not have a material impact on the interim condensed consolidated financial information of the Group.

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

The Bank is in the process of running a project on the Group's transition activities and prepared for adopting alternate reference rates and continues to engage with various stakeholders to support the orderly transition and to mitigate the risks resulting from the transition.

Management believes that these amendments had no impact on the interim condensed consolidated financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

3 CASH AND CASH EQUIVALENTS

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	<i>30 June</i> <i>2021</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD'000</i>	<i>30 June</i> <i>2020</i> <i>KD'000</i>
Cash	12,354	11,708	9,642
Current account with the CBK	68,413	90,396	2,841
Current account with commercial banks	11,027	8,895	31,689
Total cash and bank balances	91,794	110,999	44,172
Placements with the CBK whose original maturity is within three months	120,033	74,044	24,040
Placements with banks whose original maturity is within three months	231,406	257,990	278,494
Total cash and cash equivalents	443,233	443,033	346,706

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

4 FINANCING RECEIVABLES

An analysis of the carrying amounts of financing receivables, and the corresponding Expected Credit Losses based on the staging criteria under IFRS 9 in accordance with CBK regulations. For contingent liabilities and commitments, the amounts in the table represent the amounts committed or guaranteed, respectively.

	<i>As at 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>
Financing receivables				
High	716,348	33,513	22,974	772,835
Standard	1,550,183	89,293	1,171	1,640,647
Past due or impaired	76,786	14,930	29,844	121,560
	<u>2,343,317</u>	<u>137,736</u>	<u>53,989</u>	<u>2,535,042</u>
Loan commitments and financial guarantee contracts- non-cash facilities	<u>151,939</u>	<u>25,777</u>	<u>4,740</u>	<u>182,456</u>
	<i>As at 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>
Financing receivables				
High	614,875	10,480	-	625,355
Standard	1,773,153	63,235	13,465	1,849,853
Past due or impaired	33,158	4,241	26,936	64,335
	<u>2,421,186</u>	<u>77,956</u>	<u>40,401</u>	<u>2,539,543</u>
Loan commitments and financial guarantee contracts- non-cash facilities	<u>138,655</u>	<u>24,052</u>	<u>3,691</u>	<u>166,398</u>
	<i>As at 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>
Financing receivables				
High	298,829	7,882	2,379	309,090
Standard	1,518,817	103,582	11,679	1,634,078
Past due or impaired	444,948	23,819	50,570	519,337
	<u>2,262,594</u>	<u>135,283</u>	<u>64,628</u>	<u>2,462,505</u>
Loan commitments and financial guarantee contracts- non-cash facilities	<u>141,253</u>	<u>15,345</u>	<u>5,292</u>	<u>161,890</u>

Warba Bank K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

4 FINANCING RECEIVABLES (continued)

An analysis of the changes in the Expected Credit Losses in relation to financing receivables (cash and non-cash facilities) computed under IFRS 9 in accordance to the CBK guidelines:

	<i>For the six months ended 30 June 2021</i>			
	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
As at 1 January 2021	26,160	5,720	8,734	40,614
Impact due to transfer between stages	(215)	(493)	708	-
(Reversal) additional ECL for the period	(1,989)	2,051	10,102	10,164
Amounts written off	-	-	(3,094)	(3,094)
Foreign exchange adjustments	53	-	-	53
At 30 June 2021	24,009	7,278	16,450	47,737

	<i>For the year ended 31 December 2020</i>			
	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
As at 1 January 2020	12,942	3,978	24,068	40,988
Impact due to transfer between stages	(41)	(164)	205	-
Additional ECL for the period	13,268	1,906	33,258	48,432
Amounts written off	-	-	(48,797)	(48,797)
Foreign exchange adjustments	(9)	-	-	(9)
31 December 2020	26,160	5,720	8,734	40,614

	<i>For the six months ended 30 June 2020</i>			
	<i>Stage 1</i> <i>KD 000's</i>	<i>Stage 2</i> <i>KD 000's</i>	<i>Stage 3</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
As at 1 January 2020	12,942	3,978	24,068	40,988
Impact due to transfer between stages	(128)	(549)	677	-
Additional ECL for the period	10,827	1,498	24,708	37,033
Amounts written off	-	-	(142)	(142)
Foreign exchange adjustments	(53)	-	-	(53)
At 30 June 2020	23,588	4,927	49,311	77,826

The following tables show reconciliations from the opening to the closing balance of the loss allowance as per CBK instructions:

	<i>30 June 2021</i>		
	<i>Specific</i> <i>KD 000's</i>	<i>General</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
As at 1 January	6,117	40,502	46,619
Charge for the period	10,396	9,397	19,793
Amounts written off	(3,094)	-	(3,094)
Foreign exchange adjustments	-	(27)	(27)
	13,419	49,872	63,291

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

4 FINANCING RECEIVABLES (continued)

	31 December 2020		
	Specific KD 000's	General KD 000's	Total KD 000's
As at 1 January	19,866	29,373	49,239
Charge for the period	35,461	11,169	46,630
Amounts written off	(48,797)	-	(48,797)
Foreign exchange adjustments	(413)	(40)	(453)
	<u>6,117</u>	<u>40,502</u>	<u>46,619</u>
	<u><u>6,117</u></u>	<u><u>40,502</u></u>	<u><u>46,619</u></u>
	30 June 2020		
	Specific KD 000's	General KD 000's	Total KD 000's
As at 1 January	19,866	29,373	49,239
Charge for the period	25,173	3,521	28,694
Amounts written off	(142)	-	(142)
Foreign exchange adjustments	-	42	42
	<u>44,897</u>	<u>32,936</u>	<u>77,833</u>
	<u><u>44,897</u></u>	<u><u>32,936</u></u>	<u><u>77,833</u></u>

Included within provision an amount of KD 9,238 thousand (31 December 2020: KD 4,442 thousand and 30 June 2020: KD 6,047 thousand) relating to non-cash facilities recorded under other liabilities.

5 SUKUK ISSUED

On 24 September 2019, the Bank completed the series 1 issue of unsecured Sukuk (senior debt) amounting to US\$ 500 million with a tenor of up to 5 years maturing on 24 September 2024. Such sukuk has a fixed coupon rate of 2.982% per annum, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin) and NASDAQ Dubai.

On 17 June 2020, the Bank completed the issuance of an unsecured Sukuk (senior debt) amounting to KD 150 million with a tenor of up to 5 years maturing on 17 June 2025. Such sukuk has a coupon rate of 1% per annum over the CBK discount rate, payable semi-annually in arrears. The Sukuk is listed on the Irish Stock Exchange (Euronext Dublin).

6 SHARE CAPITAL AND DISTRIBUTIONS MADE

6.1 Share capital

The authorised, issued, and fully paid share capital as at 30 June 2021 comprise of 1,575,000 thousand shares (31 December 2020: 1,575,000 thousand shares and 30 June 2020: 1,575,000 thousand shares) of 100 fils each.

6.2 Distributions made and proposed

The ordinary general assembly meeting ("AGM") of the Bank's shareholders held on 30 March 2021 approved the board of directors' recommendation not to distribute dividends for the year ended 31 December 2020 (2019: 5% bonus issue).

During the prior year, the extra-ordinary general assembly ("EGM") of the Bank's shareholders held on 27 April 2020 approved the increase of the Bank's authorised, issued, and fully paid share capital by issuing 75,000 thousand bonus shares at 5% of the authorised and paid-up share capital (i.e. 5 shares for each 100 shares) amounting to KD 7,500 thousand to the shareholders registered in the Bank's records as at the end of the record date scheduled on 4 June 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

7 PROVISION FOR IMPAIRMENT AND CREDIT LOSSES

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021 KD'000</i>	<i>2020 KD'000</i>	<i>2021 KD'000</i>	<i>2020 KD'000</i>
Provision charge for credit facilities – specific	6,420	20,490	10,396	25,173
Provision charge for credit facilities – general	3,209	2,796	9,397	3,521
Allowance for (reversal of) ECL	379	(586)	218	(555)
	10,008	22,700	20,011	28,139

8 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE (EPS)

Basic EPS amounts are calculated by dividing the profit (loss) for the period attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is calculated by dividing the profit (loss) attributable to ordinary equity holders of the Bank adjusted for profit paid on Perpetual Tier 1 Sukuk by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. As there are no dilutive instruments outstanding, basic and diluted earnings (loss) per share are identical.

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Net profit (loss) for the period (KD'000)	3,274	(16,960)	6,056	(14,876)
Less: profit payment on Perpetual Tier 1 Sukuk (KD'000)	-	-	(2,463)	(2,492)
	3,274	(16,960)	3,593	(17,368)
Weighted average number of shares outstanding (shares'000)	1,575,000	1,575,000	1,575,000	1,575,000
Basic and diluted EPS (fls)	2.08	(10.77)	2.28	(11.03)

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of this interim condensed consolidated financial information.

9 RELATED PARTY DISCLOSURES

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances with related parties arise from commercial transactions in the normal course of business on terms approved by the management.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

9 RELATED PARTY DISCLOSURES (continued)**9.1 Remuneration of the Bank's key management personnel:**

Key management personnel are those individuals who have the authority and responsibility for planning and exercising power to directly or indirectly control the activities of the Bank and its employees. The Bank considers the members of the Board of Directors (and its sub-committees) and Executive Committee to be key management personnel for the purposes of IAS 24 *Related Party Disclosures*.

	<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>
Salaries and short-term benefits	526	457	1,319	885
End of service benefits	48	47	96	93
	<u>574</u>	<u>504</u>	<u>1,415</u>	<u>978</u>

The AGM of the shareholders of the Bank held on 30 March 2021 approved directors' remuneration for the year ended 31 December 2020 amounting to KD 63 thousand.

9.2 Transactions with Bank's key management personnel and board of directors' members:

The Bank enters into transactions, arrangements and agreements involving senior management, board of directors' members, and their controlled business, or close family members, in the ordinary course of business under the same commercial and market terms, profit and commission rates that apply to non-related parties.

The following table shows the total amount of transactions, which have been entered into with key management personnel and board of directors' members for the relevant financial period/ year which are included in the interim condensed consolidated statement of financial position:

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Financing facilities	1,731	1,480	1,484
Credit cards	7	8	4
Depositors' accounts	2,353	1,613	1,720

The transactions with related parties included under the contingent liabilities are as follows:

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Letter of guarantees	4	4	4

The number of the board members and executive officers is as follows:

	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
Financing facilities	5	6	8
Credit cards	6	8	5
Depositors' accounts	45	50	46
Letter of guarantees	1	1	1

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

9 RELATED PARTY DISCLOSURES (continued)

9.2 Transactions with Bank's key management personnel and board of directors' members (continued):

The transactions with related parties which are included in the interim condensed consolidated statement of profit or loss are as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 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>
Placements and finance income	21	18	36	39
Finance costs and distribution to depositors	21	14	31	31

9.3 Transactions with major shareholders and other related parties:

In addition to transactions with key management personnel and board of directors' members, the Bank enters into transactions with major shareholders and other entities which the Bank has direct or indirect control, including common control, joint control and significant influence.

Balances recorded in the interim condensed consolidated statement of financial position are as follows:

	<i>Outstanding balances as at</i>			<i>(Audited)</i>	
	<i>Major shareholders</i>	<i>Other related parties</i>	<i>30 June 2021</i>	<i>31 December 2020</i>	<i>30 June 2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Depositors' accounts	456,074	525	456,599	552,333	710,097

The number of major shareholders and other related parties is as follows:

	<i>No. of major shareholders</i>	<i>No. of other related parties</i>
30 June 2021		
Depositors' accounts	2	31
31 December 2020 (Audited)		
Depositors' accounts	2	30
30 June 2020		
Depositors' accounts	2	30

Transactions with related parties recorded in the interim condensed consolidated statement of profit or loss are, as follows:

	<i>Transactions values during the period ended</i>			
	<i>Major shareholders</i>	<i>Other related parties</i>	<i>30 June 2021</i>	<i>30 June 2020</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Finance costs and distributions to depositors	2,645	-	2,645	7,181

Outstanding balances at period-end are in the ordinary course of business. The profit rates charged to, and by, related parties are at normal commercial rates. There are no guarantees provided for related party payables during the period ended 30 June 2021.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

10 COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June</i> <i>2021</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD'000</i>	<i>30 June</i> <i>2020</i> <i>KD'000</i>
Acceptances and letters of credit	42,396	38,751	38,654
Letters of guarantee	140,060	127,647	123,236
Contingent liabilities	<u>182,456</u>	<u>166,398</u>	<u>161,890</u>
Capital commitments	<u>121,228</u>	<u>104,668</u>	<u>106,740</u>

11 SEGMENT INFORMATION

The Group's operating segments are determined based on the reports reviewed by the decision makers that are used for strategic decisions. These segments are strategic business units that offer different products and services. They are managed separately since the nature of the products and services, class of customers and marketing strategies of these segments are different.

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

- ▶ **Corporate** - comprising of range of banking services and investment products to corporate customers, in addition to providing commodity and real estate murabaha finance and Ijarah facilities;
- ▶ **Retail** - comprising of a diversified range of products and services to individual customers. The range includes consumer finance, credit cards, deposits and other branch related services.
- ▶ **Treasury** – comprising of the Bank's funding operations management, local and international Murabaha and other Islamic financing primarily with banks and financial institutions.
- ▶ **Investment** - comprising of investment in direct equity, real estate investment and other investments.
- ▶ **Other** – comprising of cost center assets and expenses.

Management monitors the operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

The following table presents net operating income (loss), profit (loss) for the period, total assets and total liabilities information in respect of the Bank's reportable segments:

	<i>30 June 2021</i>					
	<i>Corporate</i> <i>KD'000</i>	<i>Retail</i> <i>KD'000</i>	<i>Treasury</i> <i>KD'000</i>	<i>Investment</i> <i>KD'000</i>	<i>Other</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
Operating income	18,618	7,542	1,166	12,985	-	40,311
Net (loss) profit	(1,168)	2,412	1,050	11,845	(8,083)	6,056
Total assets	2,018,761	462,228	643,197	354,671	66,873	3,545,730
Total liabilities	556,549	883,647	1,771,643	-	59,209	3,271,048

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

11 SEGMENT INFORMATION (continued)

	30 June 2020					
	Corporate KD'000	Retail KD'000	Treasury KD'000	Investment KD'000	Other KD'000	Total KD'000
Operating income (loss)	19,029	5,868	(1,096)	2,443	-	26,244
Net (loss) profit	(9,006)	193	(1,264)	2,175	(6,974)	(14,876)
Total assets	1,999,322	391,398	578,877	346,795	79,556	3,395,948
Total liabilities	405,811	606,123	2,083,069	-	42,202	3,137,205

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial instruments comprise financial assets and financial liabilities.

Fair value hierarchy

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

- ▶ **Level 1** - quoted (unadjusted) prices in an active market for identical assets and 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; and
- ▶ **Level 3** - other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Total KD'000	Fair value measurement		
		Quoted prices in active markets (Level 1) KD'000	Significant observable inputs (Level 2) KD'000	Significant unobservable inputs (Level 3) KD'000
30 June 2021				
Assets measured at fair value on a recurring basis				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	17,451	17,451	-	-
Funds (unquoted)	72,657	-	-	72,657
Other securities (unquoted)	18,311	-	-	18,311
	108,419	17,451	-	90,968
<i>Financial assets at FVOCI</i>				
Quoted Sukuk				
- Sovereign Sukuk	192,316	192,316	-	-
- Corporate Sukuk	76,680	76,680	-	-
	268,996	268,996	-	-
Unquoted Sukuk	6,194	-	-	6,194
Unquoted equity instruments	5,569	-	-	5,569
	280,759	268,996	-	11,763

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

		<i>Fair value measurement</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>31 December 2020 (Audited)</i>	<i>Total</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVTPL</i>				
Quoted equity instruments	15,580	15,580	-	-
Funds (unquoted)	57,792	-	-	57,792
Other securities (unquoted)	17,557	-	-	17,557
	<u>90,929</u>	<u>15,580</u>	<u>-</u>	<u>75,349</u>
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
Sovereign Sukuk	160,834	160,834	-	-
Corporate Sukuk	64,375	64,375	-	-
	<u>225,209</u>	<u>225,209</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	6,303	-	-	6,303
Unquoted equity instruments	5,538	-	-	5,538
	<u>237,050</u>	<u>225,209</u>	<u>-</u>	<u>11,841</u>
<i>Fair value measurement</i>				
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>30 June 2020</i>	<i>Total</i>	<i>(Level 1)</i>	<i>(Level 2)</i>	<i>(Level 3)</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
<i>Assets measured at fair value on a recurring basis</i>				
<i>Financial assets at FVPL</i>				
Quoted equity instruments	13,376	13,376	-	-
Funds (unquoted)	46,659	-	-	46,659
Other securities (unquoted)	15,874	-	-	15,874
	<u>75,909</u>	<u>13,376</u>	<u>-</u>	<u>62,533</u>
<i>Financial assets at FVOCI</i>				
<i>Quoted Sukuk</i>				
Sovereign Sukuk	223,209	223,209	-	-
Corporate Sukuk	108,841	108,841	-	-
	<u>332,050</u>	<u>332,050</u>	<u>-</u>	<u>-</u>
Unquoted Sukuk	6,341	-	-	6,341
Unquoted equity instruments	5,505	-	-	5,505
	<u>343,896</u>	<u>332,050</u>	<u>-</u>	<u>11,846</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

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12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Movements in Level 3 financial instruments measured at fair value

The following tables show the reconciliation of the opening and closing amounts of Level 3 financial assets measured at fair value:

<i>30 June 2021</i>						
	<i>At 1 January 2021 KD'000</i>	<i>Additions KD'000</i>	<i>Sales/ redemptions KD'000</i>	<i>Change in fair value KD'000</i>	<i>Exchange rate movements KD'000</i>	<i>At 30 June 2021 KD'000</i>
<i>Financial assets at FVPL</i>						
Funds (unquoted)	57,792	11,993	(1,176)	4,652	(604)	72,657
Other securities (unquoted)	17,557	1,153	-	(263)	(136)	18,311
	75,349	13,146	(1,176)	4,389	(740)	90,968
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,303	-	-	(66)	(43)	6,194
Unquoted equity instruments	5,538	31	-	-	-	5,569
	11,841	31	-	(66)	(43)	11,763
<i>31 December 2020 (Audited)</i>						
	<i>At 1 January 2020 KD'000</i>	<i>Additions KD'000</i>	<i>Sales/ redemptions KD'000</i>	<i>Change in fair value KD'000</i>	<i>Exchange rate movements KD'000</i>	<i>At 31 December 2020 KD'000</i>
<i>Financial assets at FVTPL</i>						
Funds (unquoted)	35,267	33,306	(10,568)	(99)	(114)	57,792
Other securities (unquoted)	13,092	4,451	(52)	(47)	113	17,557
	48,359	37,757	(10,620)	(146)	(1)	75,349
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(99)	4	6,303
Unquoted equity instruments	5,505	-	-	33	-	5,538
	11,903	-	-	(66)	4	11,841
<i>30 June 2020</i>						
	<i>At 1 January 2020 KD'000</i>	<i>Additions KD'000</i>	<i>Sales/ redemptions KD'000</i>	<i>Change in fair value KD'000</i>	<i>Exchange rate differences KD'000</i>	<i>At 30 June 2020 KD'000</i>
<i>Financial assets at FVPL</i>						
Funds (unquoted)	35,267	21,792	(9,333)	(1,567)	500	46,659
Other securities (unquoted)	13,092	2,528	(53)	77	230	15,874
	48,359	24,320	(9,386)	(1,490)	730	62,533
<i>Financial assets at FVOCI</i>						
Unquoted Sukuk	6,398	-	-	(157)	100	6,341
Unquoted equity instruments	5,505	-	-	-	-	5,505
	11,903	-	-	(157)	100	11,846

There were no transfers between any levels of the fair value hierarchy during 2021 or 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2021

12 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The valuation techniques and inputs used in this interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

The fair value of financial instruments classified as level 3 are, in certain circumstances, measured using valuation techniques that incorporate assumptions that are not evidenced by the prices from observable current market transactions in the same instrument and are not based on observable market data. The Group employs valuation techniques, depending on the instrument type and available market data. For example, in the absence of active market, an investment's fair value is estimated on the basis of an analysis of the investee's financial position and results, risk profile and other factors. Favourable and unfavourable changes in the value of financial instruments are determined on the basis of changes in the value of the instruments as a result of varying the levels of the unobservable parameters, quantification of which is judgmental. The management assessed that the impact on profit or loss or other comprehensive income would be immaterial if the relevant risk variables used to fair value the financial instruments classified as Level 3 were altered by 5 percent.

For other financial assets and financial liabilities carried at amortised cost, the carrying value is not significantly different from their fair value as most of these assets and liabilities are of short-term maturity or are re-priced immediately based on market movement in profit rates.

13 IMPACT OF COVID-19

The COVID-19 pandemic spread rapidly across global geographies causing significant disruption to business and economic activities and bringing unprecedented uncertainty to the global economic environment. Fiscal and monetary authorities worldwide have launched extensive responses designed to mitigate the severe consequences of the pandemic.

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 Group's annual consolidated 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/IS/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 and funded 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 9,013 thousand in accordance with IFRS 9. The modification loss arising from the moratorium is funded by the Government under the 2021 scheme hence treated as a government grant in accordance with IAS 20. Consequently, the modification losses were offset by an equivalent amount of grant income reimbursable by the Government of Kuwait. The grant receivable is included in other assets in the interim condensed consolidated statement of financial position as at 30 June 2021.

Expected Credit Loss (ECL) estimates

The Group considered the potential impact of the uncertainties caused by the Covid-19 pandemic together with the associated economic support and relief measures of governments and central banks in its estimation of ECL requirements for the period ended 30 June 2021, making adjustments to macroeconomic variables as appropriate. The Group has also given specific consideration to the impact of COVID-19 on the relevant qualitative and quantitative factors when determining any significant increase in credit risk (SICR) and in assessing indicators of impairment for exposures to potentially affected sectors.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 30 June 2021

13 IMPACT OF COVID-19 (continued)

Expected Credit Loss (ECL) estimates (continued)

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

Other impacts

The Group considered the potential impact of the current economic volatility on the reported amounts of the Group'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 Group will accordingly continue to reassess its position and the related impact on a regular basis.