



**BURGAN BANK GROUP**  
**INTERIM CONDENSED CONSOLIDATED**  
**FINANCIAL INFORMATION**

**30 JUNE 2021 (UNAUDITED)**



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

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Burgan Bank K.P.S.C. (the “Bank”) and its subsidiaries (collectively the “Group”) as at 30 June 2021, and the related interim condensed consolidated statement of income and the interim condensed consolidated statement of comprehensive income for the three month and six month periods then ended, and the interim condensed consolidated statement changes in equity and interim condensed consolidated statement cash flows for the six months 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 accompanying 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, as amended, during the six months 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION TO THE BOARD OF DIRECTORS OF BURGAN BANK K.P.S.C.  
(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, or of the provisions of Law No. 7 of 2010 concerning Capital Markets Authority and its related regulations during the six months period ended 30 June 2021 that might have had a material effect on the business of the Bank or on its financial position.



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



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NAYEF M. AL BAZIE  
LICENSE NO. 91 - A  
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Kuwait: 27 July 2021

**Burgan Bank Group**
**Interim Condensed Consolidated Statement of Financial Position**
**As at 30 June 2021 (Unaudited)**


		<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's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>ASSETS</b>				
Cash and cash equivalents	3	758,468	819,477	924,615
Treasury bills and bonds with CBK and others		229,483	243,550	317,183
Due from banks and other financial institutions		364,948	469,517	420,207
Loans and advances to customers		4,239,103	4,345,058	4,411,555
Investment securities		620,472	591,668	625,621
Other assets		275,800	215,769	248,924
Property and equipment		158,557	157,143	138,348
Intangible assets		19,331	20,344	22,269
		<u>6,666,162</u>	<u>6,862,526</u>	<u>7,108,722</u>
Disposal group held for sale		279,516	243,558	-
<b>TOTAL ASSETS</b>		<u><b>6,945,678</b></u>	<u><b>7,106,084</b></u>	<u><b>7,108,722</b></u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		296,075	413,717	516,681
Due to other financial institutions		310,641	610,254	734,818
Deposits from customers		4,349,869	4,091,383	4,263,056
Other borrowed funds	4	666,764	679,096	460,763
Other liabilities	5	223,076	238,700	219,273
		<u>5,846,425</u>	<u>6,033,150</u>	<u>6,194,591</u>
Liabilities directly associated with the disposal group held for sale		229,097	193,170	-
<b>TOTAL LIABILITIES</b>		<u><b>6,075,522</b></u>	<u><b>6,226,320</b></u>	<u><b>6,194,591</b></u>
<b>EQUITY</b>				
Share capital	6	275,625	262,500	262,500
Share premium		249,052	249,052	249,052
Treasury shares	6	(1,742)	(1,742)	(1,742)
Statutory reserve		102,971	102,971	99,465
Voluntary reserve		103,349	103,349	99,843
Treasury shares reserve		43,135	43,135	43,135
Fair value reserve		(57,040)	(49,953)	(38,480)
Share based compensation reserve		564	564	564
Foreign currency translation reserve		(194,457)	(181,259)	(166,597)
Other reserves	6	12,531	8,645	13,571
Retained earnings		144,580	150,011	148,206
		<u>678,568</u>	<u>687,273</u>	<u>709,517</u>
Total equity attributable to the equity holders of the Bank		678,568	687,273	709,517
Perpetual Tier 1 capital securities		150,525	151,625	153,900
Non-controlling interests		41,063	40,866	50,714
<b>TOTAL EQUITY</b>		<u><b>870,156</b></u>	<u><b>879,764</b></u>	<u><b>914,131</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>6,945,678</b></u>	<u><b>7,106,084</b></u>	<u><b>7,108,722</b></u>



**Khalid Al Zouman**  
Group Chief Financial Officer



**Masoud M. J. Hayat**  
Vice Chairman &  
Group Chief Executive Officer



**Majed Essa Al Ajeel**  
Chairman of the Board

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Income

Period ended 30 June 2021 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 KD 000's	2020 KD 000's	2021 KD 000's	2020 KD 000's
Interest income		67,117	67,494	125,603	146,499
Interest expense		(31,739)	(35,022)	(64,104)	(72,541)
<b>Net interest income</b>		<b>35,378</b>	<b>32,472</b>	<b>61,499</b>	<b>73,958</b>
Fee and commission income		10,073	8,897	21,538	19,979
Fee and commission expense		(1,618)	(1,322)	(2,990)	(3,031)
<b>Net fee and commission income</b>		<b>8,455</b>	<b>7,575</b>	<b>18,548</b>	<b>16,948</b>
Net gain from foreign currencies		4,639	2,842	7,312	3,749
Net investment income		6,839	(300)	13,945	4,545
Dividend income		746	1,006	746	1,071
Other income		8,160	3,580	9,974	7,318
<b>Operating income</b>		<b>64,217</b>	<b>47,175</b>	<b>112,024</b>	<b>107,589</b>
Staff expenses		(11,369)	(11,177)	(22,640)	(23,765)
Other expenses		(12,901)	(12,028)	(22,287)	(22,968)
<b>Operating profit before credit losses and other provisions</b>		<b>39,947</b>	<b>23,970</b>	<b>67,097</b>	<b>60,856</b>
Provision for credit losses		(18,913)	(15,221)	(39,107)	(31,609)
Provision (release) charge for other financial assets		315	(682)	289	(1,071)
<b>Profit before taxation</b>		<b>21,349</b>	<b>8,067</b>	<b>28,279</b>	<b>28,176</b>
Taxation	7	(2,344)	(1,778)	(3,118)	(4,060)
<b>Profit for the period</b>		<b>19,005</b>	<b>6,289</b>	<b>25,161</b>	<b>24,116</b>
<b>Attributable to:</b>					
Equity holders of the Bank		18,960	5,515	24,020	22,746
Non-controlling interests		45	774	1,141	1,370
		<b>19,005</b>	<b>6,289</b>	<b>25,161</b>	<b>24,116</b>
<b>Basic and diluted earnings per share - attributable to the equity holders of the Bank (Fils)</b>	8	<b>5.6</b>	<b>0.5</b>	<b>7.6</b>	<b>5.8</b>

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

**Burgan Bank Group**
**Interim Condensed Consolidated Statement of Comprehensive Income**  
**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's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Profit for the period</b>	<b>19,005</b>	6,289	<b>25,161</b>	24,116
<b>Other comprehensive (loss) income</b>				
<i>Items that will not be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Net change in fair value of equity instruments at fair value through other comprehensive income	<b>(1,094)</b>	(4,014)	<b>(3,167)</b>	(10,573)
	<b>(1,094)</b>	(4,014)	<b>(3,167)</b>	(10,573)
<i>Items that will be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Debt instruments at fair value through other comprehensive income:				
Net change in fair value	<b>1,513</b>	12,109	<b>(3,963)</b>	5,203
Changes in allowance for expected credit losses	<b>(108)</b>	125	<b>(109)</b>	272
Net transfer to interim condensed consolidated statement of income	<b>(79)</b>	(1,434)	<b>(418)</b>	(2,819)
Foreign currency translation adjustment	<b>(4,589)</b>	(7,630)	<b>(13,921)</b>	(15,849)
Changes in fair value of cash flow hedges	<b>1,740</b>	(1,059)	<b>2,595</b>	1,456
Net gain on hedge of a net investment	<b>(674)</b>	503	<b>1,805</b>	4,437
<b>Other comprehensive loss for the period</b>	<b>(3,291)</b>	(1,400)	<b>(17,178)</b>	(17,873)
<b>Total comprehensive income for the period</b>	<b>15,714</b>	4,889	<b>7,983</b>	6,243
<b>Attributable to:</b>				
Equity holders of the Bank	<b>15,900</b>	4,822	<b>7,625</b>	5,102
Non-controlling interests	<b>(186)</b>	67	<b>358</b>	1,141
	<b>15,714</b>	4,889	<b>7,983</b>	6,243

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Changes in Shareholder's Equity (continued)

Period ended 30 June 2021 (Unaudited)

*Attributable to the equity holders of the Bank*

	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Share based compensation reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves*</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Perpetual Tier 1 capital securities</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Balance at 1 January 2021	262,500	249,052	(1,742)	102,971	103,349	43,135	(49,953)	564	(181,259)	8,645	150,011	687,273	151,625	40,866	879,764
Profit for the period	-	-	-	-	-	-	-	-	-	-	24,020	24,020	-	1,141	25,161
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(7,385)	-	(13,399)	4,389	-	(16,395)	-	(783)	(17,178)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(7,385)	-	(13,399)	4,389	24,020	7,625	-	358	7,983
Bonus shares issued (note 6)	13,125	-	-	-	-	-	-	-	-	-	(13,125)	-	-	-	-
Cash dividend (note 6)	-	-	-	-	-	-	-	-	-	-	(13,102)	(13,102)	-	-	(13,102)
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(161)	(161)
Transfer related to disposal group held for sale	-	-	-	-	-	-	302	-	201	(503)	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	1,100	1,100	(1,100)	-	-
Net transfer to Retained earnings for equity investments at FVOCI	-	-	-	-	-	-	(4)	-	-	-	4	-	-	-	-
Interest payment on Tier 1 capital securities	-	-	-	-	-	-	-	-	-	-	(4,328)	(4,328)	-	-	(4,328)
<b>Balance at 30 June 2021</b>	<b>275,625</b>	<b>249,052</b>	<b>(1,742)</b>	<b>102,971</b>	<b>103,349</b>	<b>43,135</b>	<b>(57,040)</b>	<b>564</b>	<b>(194,457)</b>	<b>12,531</b>	<b>144,580</b>	<b>678,568</b>	<b>150,525</b>	<b>41,063</b>	<b>870,156</b>

\*Refer note 6 for further break up of other reserves

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Changes in Shareholder's Equity (continued)

Period ended 30 June 2021 (Unaudited)

	<i>Attributable to the equity holders of the Bank</i>														
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Treasury shares reserve</i>	<i>Fair value reserve</i>	<i>Share based compensation reserve</i>	<i>Foreign currency translation reserve</i>	<i>Other reserves*</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Perpetual Tier 1 capital securities</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Balance at 1 January 2020	262,500	249,052	(1,742)	99,465	99,843	43,135	(30,564)	564	(151,972)	8,674	172,205	751,160	151,525	49,573	952,258
Profit for the period	-	-	-	-	-	-	-	-	-	-	22,746	22,746	-	1,370	24,116
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(7,871)	-	(15,660)	5,887	-	(17,644)	-	(229)	(17,873)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(7,871)	-	(15,660)	5,887	22,746	5,102	-	1,141	6,243
Cash dividend (note 6)	-	-	-	-	-	-	-	-	-	-	(31,445)	(31,445)	-	-	(31,445)
Transfer related to disposal group held for sale	-	-	-	-	-	-	(45)	-	1,035	(990)	-	-	-	-	-
Modification loss on retail loans (note 2.1 and 14)	-	-	-	-	-	-	-	-	-	-	(8,499)	(8,499)	-	-	(8,499)
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(2,375)	(2,375)	2,375	-	-
Interest payment on Tier 1 capital securities	-	-	-	-	-	-	-	-	-	-	(4,426)	(4,426)	-	-	(4,426)
Balance at 30 June 2020	262,500	249,052	(1,742)	99,465	99,843	43,135	(38,480)	564	(166,597)	13,571	148,206	709,517	153,900	50,714	914,131

\*Refer note 6 for further break up of other reserves

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.



## Burgan Bank Group

### Interim Condensed Consolidated Statement of Cash Flows Period ended 30 June 2021 (Unaudited)

	Note	Six months ended 30 June	
		2021 KD 000's	2020 KD 000's
<b>Operating activities</b>			
Profit for the year before taxation		28,279	28,176
Adjustments:			
Net investment income		(13,945)	(4,545)
Provision for credit losses		39,107	31,609
Provision (release) charge for other financial assets		(289)	1,071
Dividend income		(746)	(1,071)
Depreciation and amortisation		4,815	7,320
<b>Operating profit before changes in operating assets and liabilities</b>		<b>57,221</b>	<b>62,560</b>
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		21,423	(4,441)
Due from banks and other financial institutions		107,046	319,742
Loans and advances to customers		14,569	(133,235)
Other assets		(17,466)	8,254
Due to banks		(118,034)	3,638
Due to other financial institutions		(299,613)	23,322
Deposits from customers		299,132	55,928
Other liabilities		(22,796)	(21,453)
Taxation paid		(1,212)	(3,095)
Net cash flows from operating activities		<b>40,270</b>	<b>311,220</b>
<b>Investing activities</b>			
Purchase of investment securities		(325,018)	(434,152)
Proceeds from sale of investment securities		306,988	348,943
Purchase of property and equipment, net of disposals		(4,635)	(16,891)
Dividends received		746	1,071
Net cash flows used in investing activities		<b>(21,919)</b>	<b>(101,029)</b>
<b>Financing activities</b>			
Other borrowed funds		(12,685)	4,332
Cash dividend paid to equity holders of the Bank		(13,102)	(31,445)
Cash dividend paid to non-controlling interests		(161)	-
Interest payment on Tier1 capital securities		(4,328)	(4,426)
Net cash flows used in financing activities		<b>(30,276)</b>	<b>(31,539)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(11,925)</b>	<b>178,652</b>
Effect of foreign currency translation		(13,945)	(15,545)
Cash and cash equivalents at 1 January		964,563	761,508
<b>Cash and cash equivalents at 30 June</b>	3	<b>938,693</b>	<b>924,615</b>
<b>Additional cash flow information:</b>			
Interest received		117,733	110,995
Interest paid		72,915	70,848

The attached notes 1 to 14 form an integral part of this interim condensed consolidated financial information.

## **Burgan Bank Group**

### **Notes to the Interim Condensed Consolidated Financial Information**

**As at 30 June 2021 (Unaudited)**

#### **1. INCORPORATION AND REGISTRATION**

Burgan Bank K.P.S.C. (the “Bank”) is a public shareholding company incorporated in the State of Kuwait by Amiri Decree dated 27 December 1975 listed on Boursa Kuwait and is registered as a bank with the Central Bank of Kuwait (“the CBK”). The Bank’s registered address is P.O. Box 5389, Safat 12170, State of Kuwait.

The interim condensed consolidated financial information of the Bank and its subsidiaries (collectively “the Group”) for the period ended 30 June 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 12 July 2021.

The principal activities of the Group are explained in note 9.

The Bank is a subsidiary of Kuwait Projects Company Holding K.S.C.P. (the “Parent Company”) and whose shares are listed on Boursa Kuwait.

#### **2. BASIS OF PREPARATION AND CHANGES TO 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 (“IAS”) 34, *Interim Financial Reporting*, except as noted below.

The interim condensed consolidated financial information has been prepared in accordance with the regulations for financial services institutions as issued by the CBK in the State of Kuwait. These regulations, require banks and other financial institutions regulated by the 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 the CBK guidelines or the provisions as required by the 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-19, during the financial year ended 31 December 2020, as required by the CBK circular reference no. 2/RB, RBA/461/2020. Modification losses referred to in the circular, should be recognised 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 recognised in the profit or loss in accordance with IFRS 9. All modification losses incurred after the year ended 31 December 2020, are recognised to the profit or loss. The application of the policy will result in application of different accounting presentation for modification losses in 2020 compared to 2021.

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

The interim condensed consolidated 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 Group’s consolidated financial statements for the year ended 31 December 2020.

Further, results for the six months period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. Certain prior period amounts have been restated / reclassified in order to conform to the current period presentation. Such reclassifications do not affect previously reported assets, liabilities, equity and profit for the period.

##### **2.2. Accounting policies adopted in the preparation of the interim condensed consolidated financial information**

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the amendments to IFRS which are effective for annual accounting period starting from 1 January 2021.

*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”).

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

##### 2.2. Accounting policies adopted in the preparation of the interim condensed consolidated financial information (continued)

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; and
- 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 impact on the interim condensed consolidated financial information of the Group and the management is in the process of identifying the possible impact of the above amendment for future periods.

#### 3. CASH AND CASH EQUIVALENTS

	<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's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cash in hand and in current account with banks and OFIs	<b>317,324</b>	359,202	456,134
Balances with CBK	<b>76,497</b>	260,575	197,862
Due from banks and OFIs maturing within thirty days	<b>364,671</b>	199,724	270,749
	<b>758,492</b>	819,501	924,745
Expected credit losses	<b>(24)</b>	(24)	(130)
Cash and cash equivalents as per interim condensed consolidated statement of financial position	<b>758,468</b>	819,477	924,615
Cash and cash equivalents attributable to disposal group held for sale	<b>180,225</b>	145,086	-
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	<b>938,693</b>	964,563	924,615

#### 4. OTHER BORROWED FUNDS

		<i>(Audited)</i>		
	<i>Interest rates</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's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Subordinated bonds – KWD 2026 (Fixed tranche)*	<b>6.00%</b>	-	29,913	29,895
Subordinated bonds – KWD 2026 (Floating tranche capped at 7%)*	<b>CBK+3.95%</b>	-	69,467	69,425
Medium term borrowing	<b>3M Libor+0.95%</b>	-	-	107,654
Euro Medium Term Note	<b>3.125%</b>	<b>150,463</b>	151,416	153,539
Senior unsecured fixed rate bonds	<b>4.125%</b>	<b>99,931</b>	99,862	99,793
Murabaha facility	<b>3M Libor+1.00%</b>	<b>59,833</b>	60,195	-
Subordinated bonds – 2031	<b>2.75%</b>	<b>149,711</b>	150,755	-
Medium term borrowing	<b>3M Libor+1.10%</b>	<b>116,765</b>	117,488	-
Medium term borrowing	<b>3M Libor+1.15%</b>	<b>90,061</b>	-	-
Other borrowings- subsidiaries	<b>1.00%- 3.17%</b>	-	-	457
		<b>666,764</b>	679,096	460,763

\*Subordinated bonds have been fully repaid during the period.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 5. OTHER LIABILITIES

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
	<i>KD 000's</i>	<i>2020</i>	<i>KD 000's</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Accrued interest payable	<b>30,174</b>	38,985	51,126
Staff benefits	<b>17,069</b>	17,096	16,202
Provision for non - cash credit facilities	<b>16,060</b>	15,472	15,408
Clearing cheques and balances	<b>43,358</b>	35,126	28,211
Income received in advance	<b>11,924</b>	10,373	12,460
Other payable and accruals	<b>36,564</b>	37,848	27,356
Deferred tax liabilities	<b>292</b>	294	91
Taxation payable	<b>13,606</b>	11,825	14,956
Other balances	<b>54,029</b>	71,681	53,463
	<b>223,076</b>	238,700	219,273

#### 6. SHAREHOLDERS' EQUITY

a) The issued and fully paid up share capital of the Bank comprises 2,756,250,000 (31 December 2020 and 30 June 2020: 2,625,000,000) shares of 100 fils each.

b) Treasury shares

	<i>30 June</i>	<i>(Audited)</i>	<i>30 June</i>
	<i>2021</i>	<i>31 December</i>	<i>2020</i>
		<i>2020</i>	<i>2020</i>
Number of shares held	<b>4,811,693</b>	4,577,228	4,577,228
Percentage of shares held	<b>0.17%</b>	0.17%	0.17%
Cost <i>KD 000's</i>	<b>1,742</b>	1,742	1,742
Market value - <i>KD 000's</i>	<b>1,087</b>	975	897
Weighted average market value per share (fils)	<b>220</b>	217	227

The balance in the treasury share reserve account is not available for distribution. An amount equal to the cost of treasury shares is not available for distribution from share premium, statutory reserve, voluntary reserve and retained earnings throughout the holding period of these treasury shares.

## Burgan Bank Group

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

#### 6. SHAREHOLDERS' EQUITY (continued)

##### c) Other reserves

	<i>Six months ended 30 June 2021</i>				
	<i>Hedge of net investment in foreign operations KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Changes in ownership in subsidiaries KD 000's</i>	<i>Reserve of disposal group held for sale KD 000's</i>	<i>Total KD 000's</i>
Balance at 1 January 2021	13,145	2,295	(1,478)	(5,317)	8,645
Changes in fair value of cash flow hedge reserve	-	2,584	-	-	2,584
Net gain on hedge of a net investment	1,805	-	-	-	1,805
Transfer related to disposal group held for sale	-	-	-	(503)	(503)
<b>Total comprehensive income (loss)</b>	<b>1,805</b>	<b>2,584</b>	<b>-</b>	<b>(503)</b>	<b>3,886</b>
<b>Balance at 30 June 2021</b>	<b>14,950</b>	<b>4,879</b>	<b>(1,478)</b>	<b>(5,820)</b>	<b>12,531</b>

	<i>Six months ended 30 June 2020</i>				
	<i>Hedge of net investment in foreign operations KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Changes in ownership in subsidiaries KD 000's</i>	<i>Reserve of disposal group held for sale KD 000's</i>	<i>Total KD 000's</i>
Balance at 1 January 2020	8,583	579	(1,478)	990	8,674
Changes in fair value of cash flow hedge reserve	-	1,450	-	-	1,450
Net gain on hedge of a net investment	4,437	-	-	-	4,437
Transfer related to disposal group held for sale	-	-	-	(990)	(990)
<b>Total comprehensive income (loss)</b>	<b>4,437</b>	<b>1,450</b>	<b>-</b>	<b>(990)</b>	<b>4,897</b>
<b>Balance at 30 June 2020</b>	<b>13,020</b>	<b>2,029</b>	<b>(1,478)</b>	<b>-</b>	<b>13,571</b>

##### d) Dividends and bonus shares

On 6 June 2021, the Annual General Assembly approved the distribution of cash dividend of 5 fils per share (2019: 12 fils) and bonus shares of 5% (2019: nil) for the year ended 31 December 2020.

#### 7. TAXATION

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>
National Labour Support Tax	502	149	628	597
Contribution to the Kuwait Foundation for the Advancement of Sciences	201	61	251	239
Zakat	201	60	251	239
Taxation arising from overseas subsidiaries	1,440	1,508	1,988	2,985
	<b>2,344</b>	<b>1,778</b>	<b>3,118</b>	<b>4,060</b>

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 8. EARNINGS PER SHARE

Basic and diluted earnings per share is computed by dividing the profit for the period attributable to equity holders of the Bank after interest payment of Tier 1 capital securities by the weighted average number of shares outstanding during the period less treasury shares.

The computation of basic and diluted earnings per share is 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>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period attributable to equity holders of the Bank	<b>18,960</b>	5,515	<b>24,020</b>	22,746
Less: interest payments and other movements on Tier 1 capital securities	<b>(3,653)</b>	(4,051)	<b>(3,228)</b>	(6,801)
Profit for the period attributable to equity holders of the Bank after interest payment on Tier 1 capital securities and other movements	<b>15,307</b>	1,464	<b>20,792</b>	15,945
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	<b>2,751,438,307</b>	2,751,438,307	<b>2,751,438,307</b>	2,751,438,307
Basic and diluted earnings per share (fils)	<b>5.6</b>	0.5	<b>7.6</b>	5.8

Basic and diluted earnings per share for the comparative period presented have been restated to reflect the effect of bonus shares (note 6).

#### 9. SEGMENT INFORMATION

For management purposes, the Group organises its operations by geographic territory in the first instance, primarily Domestic and International. All operations outside Kuwait are classified as International. Within its domestic operations, the Group is organised into the following business segments.

- ▶ Corporate banking: provides comprehensive product and services to corporate customers and financial institutions including lending, deposits, trade services, foreign exchange, advisory services and others.
- ▶ Retail and Private banking: provides wide range of products and services to retail and private bank customers including loans, deposits, credit and debit cards, foreign exchange, and others.
- ▶ Treasury and investment banking: includes treasury activities, investment services and management. It also provides products and services to banks including money markets, lending, deposits, foreign exchange and others.
- ▶ Central office: includes liquidity and funding management, any residual in respect of transfer pricing and other unallocated activities.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result after provisions which in certain respects are measured differently from operating profit or loss in the interim condensed consolidated financial information.

The Group during the period has changed its reportable segment to include Central office as a new reportable segment as described above. Accordingly, net interest income, segment operating results, profit for the period, total assets and total liabilities relating to Central office which were earlier included as part of Treasury and investment banking segment have been disclosed separately. The comparative information for the period ended 30 June 2020 and as at 31 December 2020 have been restated to conform the current period presentation.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 9. SEGMENT INFORMATION (continued)

The following table present information relating to the income and results of the Group's operating segments for the six months period ended 30 June:

	<i>Kuwait Operations</i>				<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>	
	<i>Corporate banking</i> <i>KD 000's</i>	<i>Retail and private banking</i> <i>KD 000's</i>	<i>Treasury and investment banking</i> <i>KD 000's</i>	<i>Central office</i> <i>KD 000's</i>				<i>Total</i> <i>KD 000's</i>
<i>30 June 2021</i>								
Net interest income	24,971	17,129	680	(3,884)	38,896	27,280	(4,677)	61,499
Segment operating results	33,622	20,033	13,359	(3,565)	63,449	53,252	(4,677)	112,024
Profit (loss) for the period	20,054	(4,220)	10,952	(2,501)	24,285	9,284	(8,408)	25,161

	<i>Kuwait Operations</i>				<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>	
	<i>Corporate banking</i> <i>KD 000's</i>	<i>Retail and private banking</i> <i>KD 000's</i>	<i>Treasury and investment banking</i> <i>KD 000's</i>	<i>Central office</i> <i>KD 000's</i>				<i>Total</i> <i>KD 000's</i>
<i>30 June 2020</i>								
Net interest income	31,120	18,082	1,451	(6,872)	43,781	35,207	(5,030)	73,958
Segment operating results	37,645	20,011	5,900	(6,728)	56,828	55,985	(5,224)	107,589
Profit (loss) for the period	27,397	4,335	3,149	(16,042)	18,839	11,739	(6,462)	24,116



## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 9. SEGMENT INFORMATION (continued)

	<i>Kuwait Operations</i>					<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>
	<i>Corporate banking KD 000's</i>	<i>Retail and private banking KD 000's</i>	<i>Treasury and investment banking KD 000's</i>	<i>Central office KD 000's</i>	<i>Total KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>Total KD 000's</i>
<i>30 June 2021</i>								
Total assets	<u>2,636,533</u>	<u>1,162,728</u>	<u>701,629</u>	<u>525,907</u>	<u>5,026,797</u>	<u>2,095,584</u>	<u>(176,703)</u>	<u>6,945,678</u>
Total liabilities	<u>1,182,851</u>	<u>1,094,775</u>	<u>200,392</u>	<u>1,930,463</u>	<u>4,408,481</u>	<u>1,846,635</u>	<u>(179,594)</u>	<u>6,075,522</u>
<i>31 December 2020 (Audited)</i>								
Total assets	<u>2,570,996</u>	<u>1,315,787</u>	<u>797,763</u>	<u>576,634</u>	<u>5,261,180</u>	<u>2,077,844</u>	<u>(232,940)</u>	<u>7,106,084</u>
Total liabilities	<u>1,052,296</u>	<u>1,042,338</u>	<u>277,165</u>	<u>2,254,000</u>	<u>4,625,799</u>	<u>1,835,109</u>	<u>(234,588)</u>	<u>6,226,320</u>
<i>30 June 2020</i>								
Total assets	<u>2,692,335</u>	<u>1,236,467</u>	<u>793,446</u>	<u>544,627</u>	<u>5,266,875</u>	<u>2,112,166</u>	<u>(270,319)</u>	<u>7,108,722</u>
Total liabilities	<u>1,134,360</u>	<u>1,056,905</u>	<u>468,105</u>	<u>1,986,018</u>	<u>4,645,388</u>	<u>1,814,158</u>	<u>(264,955)</u>	<u>6,194,591</u>



## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 10. TRANSACTIONS WITH RELATED PARTIES

The Group has entered into transactions with certain related parties (Parent Company, Board members, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties) who were customers of the Group during the period. The "Others" column in the table below mainly represent transactions with other related parties that are either controlled or significantly influenced by the Parent Company. The terms of these transactions are substantially on the same commercial basis and as approved by the Group's management, including collateral. Lending to Board members and their related parties is secured by tangible collateral in accordance with regulations of the CBK.

The outstanding balances and transactions are as follows:

	<i>Parent Company</i>	<i>Others</i>	<i>30 June 2021</i>	<i>(Audited) 31 December 2020</i>	<i>30 June 2020</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b><i>Assets and liabilities</i></b>					
Due from banks and OFIs*	-	191,135	<b>191,135</b>	184,879	199,548
Loans and advances to customers*	-	855,345	<b>855,345</b>	983,769	957,364
Investment securities	16,767	114,914	<b>131,681</b>	134,346	138,305
Investment securities managed by a related party	-	74,884	<b>74,884</b>	66,329	63,960
Other assets	-	5,657	<b>5,657</b>	5,283	6,183
Due to banks	-	17,063	<b>17,063</b>	21,448	9,780
Due to other financial institutions	-	64,838	<b>64,838</b>	31,716	50,016
Deposits from customers	65,673	50,744	<b>116,417</b>	125,274	296,743
<b><i>Commitments, contingent liabilities and derivatives</i></b>					
Letters of credit	-	12,809	<b>12,809</b>	21,454	17,251
Letters of guarantee	-	81,187	<b>81,187</b>	81,318	77,852
Undrawn lines of credit	-	144,215	<b>144,215</b>	103,529	81,947
Other commitments	-	18,174	<b>18,174</b>	15,987	16,882
<b><i>Transactions</i></b>					
Interest income	20	15,213	<b>15,233</b>	40,488	24,541
Interest expense	(77)	(202)	<b>(279)</b>	(1,929)	(1,602)
Fee and commission income	1	511	<b>512</b>	1,474	668
Fee and commission expenses	-	(236)	<b>(236)</b>	(739)	(438)
Dividend income	499	104	<b>603</b>	1,366	951
Other expense	-	(7,730)	<b>(7,730)</b>	(3,606)	(1,813)
<b><i>Other transactions during the period</i></b>					
Purchase of property and equipment	-	362	<b>362</b>	-	-
Purchase of investment securities	-	-	-	29,571	23,791
Sale of investment securities	-	-	-	24,041	23,990
Loss on sale of investment securities	-	-	-	19	-

\*As of period ended 30 June 2021, the fair value of total eligible collateral to the extent of the outstanding balances amounted to KD 455,939 thousand (31 December 2020: KD 494,196 thousand and 30 June 2020: KD 498,327 thousand).

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 10. TRANSACTIONS WITH RELATED PARTIES (continued)

	<i>No. of Board members / key management personnel</i>	<i>30 June 2021 KD 000's</i>	<i>(Audited) 31 December 2020 KD 000's</i>	<i>30 June 2020 KD 000's</i>
<b>Board members*</b>				
Loans and advances	3	4,475	4,452	4,102
Deposits from customers	7	1,209	907	441
<b>Key management personnel</b>				
Loans and advances	13	186	219	208
Deposits from customers	31	2,492	2,431	2,185
Letters of guarantee	1	7	7	-

\*Transactions with Board members include transactions with one of the key management personnel who is also a board member.

#### Key management compensation

Remuneration payable or estimated accruals in relation to "key management" (deemed for this purpose to comprise Directors in relation to their committee service, the Chief Executive Officers and other Senior Officers), was as follows:

	<i>Six months ended 30 June</i>	
	<i>2021 KD 000's</i>	<i>2020 KD 000's</i>
Short term employee benefits including salary and bonus	2,893	2,901
Accrual for end of service benefits	1,181	1,096
Accrual for cost of long-term incentive rights	284	238
Accrual for committee services	185	188
	<b>4,543</b>	<b>4,423</b>

#### 11. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2021 KD 000's</i>	<i>(Audited) 31 December 2020 KD 000's</i>	<i>30 June 2020 KD 000's</i>
Acceptances	32,240	36,172	28,509
Letters of credit	265,593	259,366	279,256
Letters of guarantee	866,562	857,342	863,312
Undrawn lines of credit	706,250	642,168	538,422
Other commitments	18,174	15,987	46,632
	<b>1,888,819</b>	<b>1,811,035</b>	<b>1,756,131</b>

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 12. DERIVATIVES

The table below shows the notional amounts of derivatives outstanding as of the reporting date. The notional amount of a derivatives' underlying asset, reference rate or index is the basis upon which changes in the value of derivatives are measured.

##### *Hedge of net investment in foreign operations*

The Bank entered into forward foreign exchange contracts between TRY and USD, as a hedge of the Bank's net investment in its subsidiary based in Turkey. Gains or losses on the retranslation of the aforesaid contracts are transferred to equity to offset any gains or losses on translation of the net investments in the Turkish subsidiary. No ineffectiveness from hedges of net investments in foreign operations was recognised in interim condensed consolidated statement of income during the period. The Group regularly assess the optimal hedge ratio i.e. the amount of net assets of the subsidiary to be hedged and as at 30 June 2021 has determined 50% (31 December 2020: 50% and 30 June 2020: 50%) as the optimal hedge ratio.

##### **Derivatives held for hedging**

###### *Interest Rate Swaps*

A subsidiary of the Group applies cash flow hedge accounting using interest rate swaps to hedge its foreign currency deposits with an average maturity up to 3 months against interest rate fluctuations. The subsidiary implements effectiveness tests at balance sheet dates for hedge accounting. The effective portions are accounted as part of changes in fair value of derivatives under other reserves, whereas the ineffective portion is recognised in interim condensed consolidated statement of income. No ineffectiveness from hedges was recognised in interim condensed consolidated statement of income during the period.

##### **Derivatives held for trading**

Derivative transactions for customers and derivatives used for economic hedging purpose as part of the Group's risk management strategy but which do not meet the qualifying criteria for hedge accounting are classified as 'Derivatives held for trading'. The risk exposures on account of derivative transactions for customers are covered by entering into similar transactions with counter parties or by other risk mitigating transactions.

The positive fair value of derivative instruments as at 30 June 2021 is KD 43,387 thousand (31 December 2020: KD 50,344 thousand and 30 June 2020: KD 36,057 thousand) and the negative fair value is KD 15,849 thousand (31 December 2020: KD 21,046 thousand and 30 June 2020: KD 21,409 thousand), included in the carrying amount of other assets and other liabilities respectively.

The notional amounts of derivatives are as follows:

	<b>30 June</b>	<i>(Audited)</i>	
	<b>2021</b>	<i>31 December</i>	<i>30 June</i>
	<b>KD 000's</b>	<i>2020</i>	<i>2020</i>
		<i>KD 000's</i>	<i>KD 000's</i>
<b>Derivatives held for trading:</b>			
<i>(non-qualifying hedges)</i>			
Forward swaps / foreign exchange contracts	<b>1,170,840</b>	1,156,287	1,148,602
Interest rate swaps	<b>113,725</b>	147,122	168,325
Options	<b>68,643</b>	33,996	40,855
	<u><b>1,353,208</b></u>	<u>1,337,405</u>	<u>1,357,782</u>
<b>Derivatives held for hedging:</b>			
Forward swaps / foreign exchange contracts	<b>35,671</b>	40,914	44,999
Interest rate swaps	<b>167,418</b>	173,906	164,215
	<u><b>203,089</b></u>	<u>214,820</u>	<u>209,214</u>

## **Burgan Bank Group**

### **Notes to the Interim Condensed Consolidated Financial Information**

**As at 30 June 2021 (Unaudited)**

#### **13. 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 of financial assets and financial liabilities.

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

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

**Level 2:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

**Level 3:** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 13. FINANCIAL INSTRUMENTS (continued)

Fair values of all financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than six months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Movement in Level 3 is mainly on account of additions and change in fair value. During the period, a decrease of KD 608 thousand (30 June 2020: KD 4,253 thousand) was recorded in the other comprehensive income representing change in fair value. There were no material transfers between the levels during the period.

Fair value measurement hierarchy for financial assets and financial liabilities that are carried at fair value is as follows:

	30 June 2021				(Audited) 31 December 2020				30 June 2020			
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
<b>Financial assets</b>												
Equity securities	84,376	-	93,322	177,698	88,422	-	93,243	181,665	96,238	-	96,119	192,357
Debt securities	250,823	-	8,000	258,823	245,042	-	8,000	253,042	254,576	-	8,000	262,576
Managed funds	-	-	75,322	75,322	-	-	66,739	66,739	-	-	64,534	64,534
Derivative financial instruments	-	43,387	-	43,387	-	50,344	-	50,344	-	36,057	-	36,057
<b>Financial liabilities</b>												
Derivative financial instruments:	-	15,849	-	15,849	-	21,046	-	21,046	-	21,409	-	21,409

Investments securities classified as FVOCI and amortised cost and other debt instrument carried at amortised cost (excluding credit facilities) are subject to Expected Credit Losses. Central Bank of Kuwait bonds and Kuwait Government treasury bonds are not subject to Expected Credit Losses.

The impact on the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of shareholders' equity would be immaterial if the relevant risk variables used to fair value the unquoted securities were altered by 5 per cent.

## Burgan Bank Group

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

#### 13. FINANCIAL INSTRUMENTS (continued)

An analysis of the gross carrying amounts of credit facilities, commitments and contingent liabilities, and the corresponding ECL based on the staging criteria under IFRS 9 in accordance with the CBK guidelines is as follows:

<i>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>
Credit facilities	<u>3,731,089</u>	<u>779,583</u>	<u>230,340</u>	<u>4,741,012</u>
Commitments and contingent liabilities*	<u>2,371,671</u>	<u>284,003</u>	<u>8,063</u>	<u>2,663,737</u>
ECL allowance for credit facilities	<u>38,566</u>	<u>54,746</u>	<u>124,438</u>	<u>217,750</u>

<i>31 December 2020 (Audited)</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>
Credit facilities	<u>3,692,487</u>	<u>929,786</u>	<u>200,707</u>	<u>4,822,980</u>
Commitments and contingent liabilities*	<u>2,266,893</u>	<u>294,124</u>	<u>5,956</u>	<u>2,566,973</u>
ECL allowance for credit facilities	<u>52,962</u>	<u>99,591</u>	<u>100,162</u>	<u>252,715</u>

<i>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>
Credit facilities	<u>3,771,495</u>	<u>898,318</u>	<u>246,539</u>	<u>4,916,352</u>
Commitments and contingent liabilities*	<u>2,242,576</u>	<u>256,722</u>	<u>6,632</u>	<u>2,505,930</u>
ECL allowance for credit facilities	<u>43,626</u>	<u>94,860</u>	<u>127,324</u>	<u>265,810</u>

\*including commitments to extend non-cash facilities.

The details of available provisions as required by CBK instructions are as follows:

	<i>30 June</i> <i>2021</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2020</i> <i>KD 000's</i>	<i>30 June</i> <i>2020</i> <i>KD 000's</i>
Available provision for credit losses	<u>274,066</u>	<u>281,377</u>	<u>283,662</u>

The available provision includes KD 16,060 thousand (31 December 2020: KD 15,472 thousand and 30 June 2020: KD 15,408 thousand) being provision for non-cash facilities reported under other liabilities.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2021 (Unaudited)

#### 13. FINANCIAL INSTRUMENTS (continued)

An analysis of the changes in the ECL in relation to loans and advances to customers (cash and non-cash facilities) computed under IFRS 9 in accordance with the CBK guidelines:

	<i>Six months ended 30 June 2021</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
ECL allowance as at 1 January 2021	52,962	99,591	100,162	252,715
Impact due to transfer between stages	(32)	(21,652)	21,684	-
ECL allowance for the period	(13,988)	(21,486)	48,488	13,014
Amounts written off	-	-	(38,694)	(38,694)
Foreign exchange adjustments	(376)	(1,707)	(7,202)	(9,285)
<b>Balance at 30 June 2021</b>	<b>38,566</b>	<b>54,746</b>	<b>124,438</b>	<b>217,750</b>

	<i>Six months ended 30 June 2020</i>			
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
ECL allowance as at 1 January 2020	28,370	103,516	62,814	194,700
Impact due to transfer between stages	(873)	363	510	-
ECL allowance for the period	16,370	(2,630)	76,788	90,528
Amounts written off	-	-	(5,443)	(5,443)
Foreign exchange adjustments	(241)	(6,389)	(7,345)	(13,975)
<b>Balance at 30 June 2020</b>	<b>43,626</b>	<b>94,860</b>	<b>127,324</b>	<b>265,810</b>

#### 14. RISK MANAGEMENT AND COVID-19

A year since the advent of the COVID 19 pandemic, various economies and sectors continue to face disruptions and uncertainty as a result of the pandemic and corresponding measures taken by the governments to contain the spread of the virus.

The Group continues to be impacted due to the outbreak and the management continues its efforts to mitigate the associated risks. The management of credit, market and liquidity risk along with the application of significant estimate and judgements are described in Note 22 to the annual audited consolidated financial statements of the Group for the year ended 31 December 2020 and no material changes have taken place in the risk management processes and policies during the period.

##### *Consumer and housing loan deferral in 2021*

During the period, the Bank has implemented deferral of consumer and housing loans provided to the eligible Kuwaiti Citizens for a period of 6 months effective from the date of request by the customers. The customers were required to submit the request for deferral of consumer and housing loans within a period of one month from the effective date of the Law No. 3 of 2021 i.e. 18 April 2021 to be eligible for the deferment.

The consumer and housing loans that were either past due or under legal action prior to the effective date of Law No. 3 of 2021 were not eligible for deferral.

## **Burgan Bank Group**

### **Notes to the Interim Condensed Consolidated Financial Information**

**As at 30 June 2021 (Unaudited)**

#### **14. RISK MANAGEMENT AND COVID-19 (continued)**

The Bank has implemented the deferral with effect from the date of request by the customers and accordingly, postponed the instalments due within six months from the date of request with a corresponding extension of the facility tenure. The instalment deferral resulted in a provisional modification loss of KD 5,679 thousand to the Bank arising from modification of the contractual cash flows of consumer and housing loans, which is recognised in interim condensed consolidated statement of income.

The modification loss resulting from the deferral of consumer and housing loans under Law No. 3 of 2021 will be borne by the government of the State of Kuwait.

#### *Payment holidays for consumer and instalment loans in 2020*

The Group management has approved payment holidays to its customers including retail customers to assist manage the fallout from the cash flow disruptions, which resulted in modification loss amounting to KD 8,499 thousand being recognised in retained earnings. The management continues to assess the past conduct, and payment history of the clients on an ongoing basis. Significant judgment has been applied while ascertaining whether the cash flow and liquidity issues faced by the customer are temporary or long term in nature. The Group management is also conducting frequent reviews of the collateral coverage on the securities held against facilities, specifically where the collaterals are illiquid in nature.