



BURGAN BANK GROUP
INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION

31 MARCH 2022 (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 31 March 2022, and the related interim condensed consolidated statements of income, other comprehensive income, changes in equity and cash flows for the three 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 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 three months period ended 31 March 2022 that might have had a material effect on the business of the Bank or on its financial position.

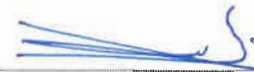
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BURGAN BANK K.P.S.C. (continued)

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 the Capital Markets Authority and its related regulations during the three months period ended 31 March 2022 that might have had a material effect on the business of the Bank or on its financial position.



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



NAYEF M.AL BAZIE
LICENSE NO. 91 - A
RSM ALBAZIE & Co.

Kuwait: 21 April 2022

Burgan Bank Group
Interim Condensed Consolidated Statement of Financial Position
As at 31 March 2022 (Unaudited)

		<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>	<i>2021</i>	
<i>Notes</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	
ASSETS				
Cash and cash equivalents	3	927,518	821,608	748,877
Treasury bills and bonds with CBK and others		250,968	247,393	243,631
Due from banks and other financial institutions		501,953	331,324	406,615
Loans and advances to customers		4,324,907	4,278,709	4,256,329
Investment securities		667,448	649,266	620,592
Other assets		242,438	277,562	193,056
Property and equipment		149,144	150,153	158,045
Intangible assets		17,948	18,412	19,785
		<u>7,082,324</u>	<u>6,774,427</u>	<u>6,646,930</u>
Disposal group held for sale		301,049	300,488	252,953
TOTAL ASSETS		<u>7,383,373</u>	<u>7,074,915</u>	<u>6,899,883</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		511,801	518,756	479,061
Due to other financial institutions		422,320	364,829	416,180
Deposits from customers		4,421,419	4,161,731	4,139,094
Other borrowed funds	4	625,561	622,483	578,593
Other liabilities	5	220,237	225,768	212,287
		<u>6,201,338</u>	<u>5,893,567</u>	<u>5,825,215</u>
Liabilities directly associated with the disposal group held for sale		245,167	249,423	202,635
TOTAL LIABILITIES		<u>6,446,505</u>	<u>6,142,990</u>	<u>6,027,850</u>
EQUITY				
Share capital	6	313,125	313,125	262,500
Share premium		282,802	282,802	249,052
Treasury shares	6	(1,742)	(1,742)	(1,742)
Statutory reserve		107,755	107,755	102,971
Voluntary reserve		108,133	108,133	103,349
Other reserves	6	(231,351)	(223,218)	(192,207)
Retained earnings		162,454	151,028	155,500
		<u>741,176</u>	<u>737,883</u>	<u>679,423</u>
Total equity attributable to the equity holders of the Bank		741,176	737,883	679,423
Perpetual Tier 1 capital securities		151,950	151,250	151,200
Non-controlling interests		43,742	42,792	41,410
TOTAL EQUITY		<u>936,868</u>	<u>931,925</u>	<u>872,033</u>
TOTAL LIABILITIES AND EQUITY		<u>7,383,373</u>	<u>7,074,915</u>	<u>6,899,883</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 31 March 2022 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
<i>Notes</i>	2022	2021
	KD 000's	KD 000's
Interest income	62,673	58,486
Interest expense	(30,756)	(32,365)
Net interest income	31,917	26,121
Fee and commission income	10,952	11,465
Fee and commission expense	(1,555)	(1,372)
Net fee and commission income	9,397	10,093
Net gain from foreign currencies	3,642	2,673
Net investment income	3,608	7,106
Dividend income	102	-
Other income	3,909	1,814
Operating income	52,575	47,807
Staff expenses	(11,634)	(11,271)
Other expenses	(10,785)	(9,386)
Operating profit before credit losses and other provisions	30,156	27,150
Provision for credit losses	(13,910)	(20,194)
Provision for other financial assets	(130)	(26)
Profit before taxation	16,116	6,930
Taxation	(2,989)	(774)
Profit for the period	13,127	6,156
Attributable to:		
Equity holders of the Bank	12,126	5,060
Non-controlling interests	1,001	1,096
	13,127	6,156
Basic and diluted earnings per share - attributable to the equity holders of the Bank (Fils)	3.7	2.0

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 31 March 2022 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period	13,127	6,156
Other comprehensive loss:		
<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	6,548	(2,073)
	6,548	(2,073)
<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	(11,700)	(5,477)
Net transfer to interim condensed consolidated statement of income	360	(339)
Foreign currency translation adjustment	(7,850)	(9,332)
Changes in fair value of cash flow hedges	3,544	855
Net gain on hedge of a net investment	914	2,479
Other comprehensive loss for the period	(8,184)	(13,887)
Total comprehensive income (loss) for the period	4,943	(7,731)
Attributable to:		
Equity holders of the Bank	3,993	(8,275)
Non-controlling interests	950	544
	4,943	(7,731)

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 Period ended 31 March 2022 (Unaudited)

	<i>Attributable to the equity holders of the Bank</i>							<i>Perpetual</i>		<i>Total equity</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Treasury shares</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Other reserves*</i>	<i>Retained earnings</i>	<i>Total</i>	<i>Tier 1 capital securities</i>		<i>Non-controlling interests</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 as at 1 January 2022	313,125	282,802	(1,742)	107,755	108,133	(223,218)	151,028	737,883	151,250	42,792	931,925
Profit for the period	-	-	-	-	-	-	12,126	12,126	-	1,001	13,127
Other comprehensive loss for the period	-	-	-	-	-	(8,133)	-	(8,133)	-	(51)	(8,184)
Total comprehensive (loss) income for the period	-	-	-	-	-	(8,133)	12,126	3,993	-	950	4,943
Foreign currency translation adjustment	-	-	-	-	-	-	(700)	(700)	700	-	-
Balance as at 31 March 2022	313,125	282,802	(1,742)	107,755	108,133	(231,351)	162,454	741,176	151,950	43,742	936,868

*Refer note 6 for further break up of other reserves

Burgan Bank Group

Interim Condensed Consolidated Statement of Changes in Shareholder's Equity Period ended 31 March 2022 (Unaudited)

Attributable to the equity holders of the Bank

	<i>Share capital KD 000's</i>	<i>Share premium KD 000's</i>	<i>Treasury shares KD 000's</i>	<i>Statutory reserve KD 000's</i>	<i>Voluntary reserve KD 000's</i>	<i>Other reserves* KD 000's</i>	<i>Retained earnings KD 000's</i>	<i>Total KD 000's</i>	<i>Perpetual Tier 1 capital securities KD 000's</i>	<i>Non-controlling interests KD 000's</i>	<i>Total equity KD 000's</i>
Balance as at 1 January 2021	262,500	249,052	(1,742)	102,971	103,349	(178,868)	150,011	687,273	151,625	40,866	879,764
Profit for the period	-	-	-	-	-	-	5,060	5,060	-	1,096	6,156
Other comprehensive loss for the period	-	-	-	-	-	(13,335)	-	(13,335)	-	(552)	(13,887)
Total comprehensive (loss) income for the period	-	-	-	-	-	(13,335)	5,060	(8,275)	-	544	(7,731)
Net transfer to retained earnings for equity investments at FVOCI	-	-	-	-	-	(4)	4	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	425	425	(425)	-	-
Balance as at 31 March 2021	<u>262,500</u>	<u>249,052</u>	<u>(1,742)</u>	<u>102,971</u>	<u>103,349</u>	<u>(192,207)</u>	<u>155,500</u>	<u>679,423</u>	<u>151,200</u>	<u>41,410</u>	<u>872,033</u>

*Refer note 6 for further break up of other reserves

Burgan Bank Group

Interim Condensed Consolidated Statement of Cash Flows Period ended 31 March 2022 (Unaudited)

	Note	Three months ended 31 March	
		2022 KD 000's	2021 KD 000's
Operating activities			
Profit for the period before taxation		16,116	6,930
Adjustments:			
Net investment income		(3,608)	(7,106)
Provision for credit losses		13,910	20,194
Provision for other financial assets		130	26
Dividend income		(102)	-
Depreciation and amortisation		3,658	2,335
Operating profit before changes in operating assets and liabilities		30,104	22,379
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		(9,552)	7,287
Due from banks and other financial institutions		(166,143)	61,629
Loans and advances to customers		(58,680)	70,189
Other assets		37,337	19,211
Due to banks		(10,198)	65,964
Due to other financial institutions		57,491	(194,074)
Deposits from customers		254,272	60,194
Other liabilities		(6,998)	(29,463)
Taxation paid		(141)	(700)
Net cash flows from operating activities		127,492	82,616
Investing activities			
Purchase of investment securities		(138,948)	(214,844)
Proceeds from sale of investment securities		124,522	188,306
Purchase of property and equipment, net of disposals		(2,377)	(3,014)
Dividends received		102	-
Net cash flows used in investing activities		(16,701)	(29,552)
Financing activities			
Other borrowed funds		3,060	(100,420)
Net cash flows from (used in) financing activities		3,060	(100,420)
Net increase (decrease) in cash and cash equivalents		113,851	(47,356)
Effect of foreign currency translation		(8,165)	(9,234)
Cash and cash equivalents at 1 January		971,575	964,563
Cash and cash equivalents at 31 March	3	1,077,261	907,973
Additional cash flow information:			
Interest received		84,543	64,689
Interest paid		34,289	42,372

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 31 March 2022 (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 31 March 2022 was authorised for issue in accordance with a resolution of the Board of Directors on 11 April 2022.

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”), 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
- 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 different accounting presentation for modification losses in 2020 as 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 2021.

Further, results for the three months period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. 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.

Amendments to IFRS which are effective for annual accounting period starting from 1 January 2022 did not have any material impact on the accounting policies, financial position or performance of the Group.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

3. CASH AND CASH EQUIVALENTS

	<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
	<i>2022</i>	<i>31 December</i>	<i>2021</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	344,628	409,283	273,827
Balances with the CBK	370,336	165,839	205,775
Due from banks and OFIs maturing within thirty days	212,561	246,502	269,312
	927,525	821,624	748,914
Expected credit losses	(7)	(16)	(37)
Cash and cash equivalents as per interim condensed consolidated statement of financial position	927,518	821,608	748,877
Cash and cash equivalents attributable to disposal group held for sale	149,743	149,967	159,096
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	1,077,261	971,575	907,973

4. OTHER BORROWED FUNDS

		<i>31 March</i>	<i>(Audited)</i>	<i>31 March</i>
		<i>2022</i>	<i>31 December</i>	<i>2021</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
	<i>Interest rates</i>			
Euro Medium Term Note	3.125%	-	-	151,065
Senior unsecured fixed rate bonds	4.125%	-	-	99,897
Murabaha facility- unsecured 2024	3M Libor + (1.00% - 1.18%)	151,437	150,680	60,063
Subordinated bonds – 2031*	2.75%	151,233	150,498	150,345
Medium term borrowing				
- unsecured (2023-2026)	3M Libor + (1.00% - 1.40%)	322,891	321,305	117,223
		625,561	622,483	578,593

*During 2020, the Bank issued US\$500 million Subordinated Tier 2 Notes due in 2031 (the “Notes”) at the principal amount. The Notes meet the requirements to be treated as Tier 2 Capital under Basel III Regulations as adopted by the CBK. The Notes are callable in whole but not in part at the option of the issuer after 6 years from the date of their issuance or on any interest payment date their after, subject to certain conditions being satisfied and the prior approval of the CBK.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

5. OTHER LIABILITIES

	<i>31 March</i> <i>2022</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>31 March</i> <i>2021</i> <i>KD 000's</i>
Accrued interest payable	27,983	31,516	28,978
Staff benefits	17,630	17,662	16,844
Provision for non-cash credit facilities	23,054	19,139	15,734
Clearing cheques and balances	33,155	36,947	36,468
Income received in advance	10,116	10,445	11,518
Other payable and accruals	42,993	44,033	36,294
Deferred tax liabilities	197	196	293
Taxation payable	15,993	12,759	12,621
Other balances	49,116	53,071	53,537
	<u>220,237</u>	<u>225,768</u>	<u>212,287</u>

6. SHAREHOLDERS' EQUITY

a) The issued and fully paid up share capital of the Bank comprises 3,131,250,000 (31 December 2021: 3,131,250,000 and 31 March 2021: 2,625,000,000) shares of 100 fils each.

b) Treasury shares

	<i>31 March</i> <i>2022</i>	<i>(Audited)</i> <i>31 December</i> <i>2021</i>	<i>31 March</i> <i>2021</i>
Number of shares held	4,811,693	4,811,693	4,577,228
Percentage of issued and fully paid up shares held	0.15%	0.15%	0.17%
Cost (KD 000's)	1,742	1,742	1,742
Market value (KD 000's)	1,400	1,193	1,002
Weighted average market value per share (fils)	274	224	220

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 31 March 2022 (Unaudited)

6. SHAREHOLDERS' EQUITY (continued)

c) Other reserves

	<i>Three months period ended 31 March 2022</i>							
	<i>Treasury shares reserve KD 000's</i>	<i>Fair value reserve KD 000's</i>	<i>Foreign currency translation reserve KD 000's</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 2022	43,135	(65,398)	(222,514)	22,507	7,137	(1,478)	(6,607)	(223,218)
Other comprehensive (loss) income for the period	-	(4,833)	(7,742)	914	3,528	-	-	(8,133)
Total comprehensive (loss) income	-	(4,833)	(7,742)	914	3,528	-	-	(8,133)
Transfer related to disposal group held for sale	-	(38)	(170)	-	-	-	208	-
Balance at 31 March 2022	43,135	(70,269)	(230,426)	23,421	10,665	(1,478)	(6,399)	(231,351)

Burgan Bank Group
Notes to the Interim Condensed Consolidated Financial Information
As at 31 March 2022 (Unaudited)
6. SHAREHOLDERS' EQUITY (continued)
c) Other reserves (continued)

	<i>Three months period ended 31 March 2021</i>								
	<i>Treasury shares reserve KD 000's</i>	<i>Fair value reserve KD 000's</i>	<i>Share based compensation reserve KD 000's</i>	<i>Foreign currency translation reserve KD 000's</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	43,135	(49,953)	564	(181,259)	13,145	2,295	(1,478)	(5,317)	(178,868)
Other comprehensive (loss) income for the period	-	(7,699)	-	(8,966)	2,479	851	-	-	(13,335)
Total comprehensive (loss) income	-	(7,699)	-	(8,966)	2,479	851	-	-	(13,335)
Transfer related to disposal group held for sale	-	212	-	158	-	-	-	(370)	-
Net transfer to retained earnings for equity investments at FVOCI	-	(4)	-	-	-	-	-	-	(4)
Balance at 31 March 2021	43,135	(57,444)	564	(190,067)	15,624	3,146	(1,478)	(5,687)	(192,207)

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information As at 31 March 2022 (Unaudited)

6. SHAREHOLDERS' EQUITY (continued)

d) Dividends and bonus shares

On 5 April 2022, the annual general assembly approved the distribution of cash dividend of 5 fils per share (2020: 5 fils) and stock dividend of 5% (2020: 5%) for the year ended 31 December 2021.

Issuance of stock dividend is subject to certain pending regulatory approval as on the date of this interim condensed consolidated financial information.

7. TAXATION

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>
National Labour Support Tax	314	126
Contribution to the Kuwait Foundation for the Advancement of Sciences	127	50
Zakat	127	50
Taxation arising from overseas subsidiaries	2,421	548
	2,989	774

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>31 March</i>	
	<i>2022</i>	<i>2021</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period attributable to equity holders of the Bank	12,126	5,060
Less: interest payments and other movements on Tier 1 capital securities	(700)	425
Profit for the period attributable to equity holders of the Bank after interest payment on Tier1 capital securities and other movements	11,426	5,485
	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	3,126,438,307	2,751,443,911
Basic and diluted earnings per share (fils)	3.7	2.0

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

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

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 a 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.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

9. SEGMENT INFORMATION (continued)

The following table present information relating to the income and results of the Group's operating segments for the three months period ended 31 March:

	<i>Kuwait Operations</i>				<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>
	<i>Corporate banking</i>	<i>Retail and Private banking</i>	<i>Treasury and Investment banking</i>	<i>Central office</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>Total KD 000's</i>
<i>31 March 2022</i>							
Net interest income	9,701	9,254	(412)	469	19,012	16,063	31,917
Segment operating results	13,150	11,370	2,983	543	28,046	27,687	52,575
Profit (loss) for the period	3,520	4,427	1,807	1,022	10,776	7,314	13,127
	<i>Kuwait Operations</i>				<i>International Operations</i>	<i>Unallocated / Intragroup Transactions</i>	<i>Group</i>
	<i>Corporate banking</i>	<i>Retail and private banking</i>	<i>Treasury and investment banking</i>	<i>Central office</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>Total KD 000's</i>
<i>31 March 2021</i>							
Net interest income	8,772	7,493	333	(2,361)	14,237	14,058	26,121
Segment operating results	12,559	9,107	5,552	(2,106)	25,112	24,869	47,807
Profit (loss) for the period	9,901	(7,999)	4,280	426	6,608	3,671	6,156

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (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>31 March 2022</i>								
Total assets	2,807,341	1,165,015	900,866	722,888	5,596,110	1,964,702	(177,439)	7,383,373
Total liabilities	1,623,983	1,149,272	414,056	1,702,473	4,889,784	1,728,266	(171,545)	6,446,505
<i>31 December 2021 (Audited)</i>								
Total assets	2,741,846	1,136,992	745,945	600,290	5,225,073	2,040,862	(191,020)	7,074,915
Total liabilities	1,370,803	1,150,065	397,702	1,603,385	4,521,955	1,805,309	(184,274)	6,142,990
<i>31 March 2021</i>								
Total assets	2,571,547	1,251,389	732,659	574,044	5,129,639	1,975,130	(204,886)	6,899,883
Total liabilities	1,078,610	1,034,587	353,784	2,028,671	4,495,652	1,743,198	(211,000)	6,027,850

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information As at 31 March 2022 (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 represents 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 KD 000's</i>	<i>Others KD 000's</i>	<i>31 March 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>31 March 2021 KD 000's</i>
<i>Assets and liabilities</i>					
Due from banks and OFIs*	-	185,858	185,858	175,970	172,653
Loans and advances to customers*	-	976,887	976,887	968,721	1,039,427
Investment securities	26,550	106,824	133,374	126,323	132,549
Investment securities managed by a related party	-	85,108	85,108	82,108	68,580
Other assets	-	5,964	5,964	5,867	5,282
Due to banks	-	10,528	10,528	7,429	15,626
Due to other financial institutions	-	43,527	43,527	64,509	40,714
Deposits from customers	80,543	56,075	136,618	153,134	165,683
<i>Commitments, contingent liabilities and derivatives</i>					
Letters of credit	-	1,688	1,688	711	16,746
Letters of guarantee	-	70,048	70,048	69,607	80,210
Undrawn lines of credit	-	109,409	109,409	127,207	89,747
Other commitments	-	16,847	16,847	15,793	19,900
<i>Transactions</i>					
Interest income	10	8,091	8,101	30,912	8,787
Interest expense	(3)	(113)	(116)	(656)	(117)
Fee and commission income	-	469	469	804	286
Fee and commission expenses	-	(164)	(164)	(517)	(128)
Dividend income	-	-	-	499	-
Other expense	-	(957)	(957)	(10,845)	(381)
<i>Other transactions during the period</i>					
Purchase of property and equipment	-	3	3	1,664	-

*As of period ended 31 March 2022, the fair value of total eligible collateral to the extent of the outstanding balances amounted to KD 539,316 thousand (31 December 2021: KD 532,224 thousand and 31 March 2021: KD 541,266 thousand).

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

10. TRANSACTIONS WITH RELATED PARTIES (continued)

	<i>No. of Board members / key management personnel</i>	<i>31 March 2022 KD 000's</i>	<i>(Audited) 31 December 2021 KD 000's</i>	<i>31 March 2021 KD 000's</i>
Board members*				
Loans and advances	3	5,178	4,995	4,445
Deposits from customers	8	2,837	978	939
Key management personnel				
Loans and advances	15	356	217	197
Deposits from customers	35	2,527	1,983	2,736
Letters of guarantee	1	17	18	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>Three months ended 31 March</i>	
	<i>2022 KD 000's</i>	<i>2021 KD 000's</i>
Short term employee benefits including salary and bonus	1,841	1,733
Accrual for end of service benefits	1,063	1,064
Accrual for cost of long-term incentive rights	279	171
Accrual for committee service	125	30
	3,308	2,998

11. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited) 31 March 2022 KD 000's</i>	<i>31 December 2021 KD 000's</i>	<i>31 March 2021 KD 000's</i>
Acceptances	43,298	40,182	38,830
Letters of credit	263,311	209,612	268,000
Letters of guarantee	815,676	822,849	866,584
	1,122,285	1,072,643	1,173,414

Irrecoverable commitments to extend credit amount to KD 586,466 thousand (31 December 2021: KD 642,447 thousand and 31 March 2021: KD 635,282). This includes commitments to extend credit which are irrecoverable over the life of the facility or are revocable only in response to a material adverse change.

The primary purpose of these instruments is to ensure that funds are available to customers as required. Acceptances, standby letters of credit and guarantees, which represent irrevocable assurances that the Group will make payments in the event that the customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are undertaken by the Group on behalf of the customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information **As at 31 March 2022 (Unaudited)**

11. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Undrawn lines of credit represent unused portions of authorisations to extend cash credit. With respect to credit risk on undrawn lines of credit, the Group is potentially exposed to loss in an amount equal to the total unused lines. However, the likely amount of loss is less than the total unused lines since most of these lines will expire or terminate without being funded.

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Such payments are collected from customers based on the terms of the letter of credit. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The Group has commitments in respect of capital expenditure amounting to KD 16,847 thousand (31 December 2021: KD 15,793 thousand and 31 March 2021: KD 19,900 thousand).

12. DERIVATIVES

The table below shows the notional amounts of derivatives outstanding as of the reporting date. The notional amount of 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 assesses the optimal hedge ratio i.e. the amount of net assets of the subsidiary to be hedged and as at 31 March 2022 has determined 40% (31 December 2021: 40% and 31 March 2021: 54%) as the optimal hedge ratio.

Derivatives held for hedging

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 31 March 2022 is KD 40,553 thousand (31 December 2021: KD 29,965 thousand and 31 March 2021: KD 31,458 thousand) and the negative fair value is KD 22,879 thousand (31 December 2021: KD 20,549 thousand and 31 March 2021: KD 14,746 thousand), included in the carrying amount of other assets and other liabilities, respectively.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

12. DERIVATIVES (continued)

The notional amounts of derivatives are as follows:

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2022</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD 000's</i>	<i>2021</i>	<i>2021</i>
		<i>KD 000's</i>	<i>KD 000's</i>
Derivatives held for trading:			
<i>(non-qualifying hedges)</i>			
Forward swaps / foreign exchange contracts	1,513,118	1,639,856	1,133,430
Interest rate swaps	63,955	81,134	126,387
Options	54,916	52,556	55,950
 <i>Derivatives held for hedging:</i>			
Forward swaps / foreign exchange contracts	18,511	20,931	40,293
Interest rate swaps	191,149	196,442	161,818

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.

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 nine 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 271 thousand (31 March 2021: KD 666 thousand) was recorded in the other comprehensive income representing change in fair value. There were no material transfers between the levels of the fair value hierarchy during the period.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (Unaudited)

13. FINANCIAL INSTRUMENTS (continued)

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

	31 March 2022				(Audited) 31 December 2021				31 March 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Financial assets												
Equity securities	85,868	-	93,025	178,893	81,462	-	87,451	168,913	87,210	-	93,668	180,878
Debt securities	278,823	-	-	278,823	274,520	-	-	274,520	273,997	-	8,000	281,997
Managed funds	-	-	84,997	84,997	-	-	82,441	82,441	-	-	69,067	69,067
Derivative financial instruments	-	40,553	-	40,553	-	72,828	-	72,828	-	31,458	-	31,458
Financial liabilities												
Derivative financial instruments	-	22,879	-	22,879	-	22,661	-	22,661	-	14,746	-	14,746

Investment securities classified as FVOCI and amortised cost and other debt instrument carried at amortised cost (excluding credit facilities) are subject to Expected Credit Losses. The 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

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As at 31 March 2022 (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>31 March 2022</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>3,955,568</u>	<u>681,476</u>	<u>114,832</u>	<u>4,751,876</u>
Commitments and contingent liabilities*	<u>2,268,846</u>	<u>175,693</u>	<u>14,441</u>	<u>2,458,980</u>
ECL allowance for credit facilities	<u>25,435</u>	<u>52,130</u>	<u>65,250</u>	<u>142,815</u>
	<i>31 December 2021 (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>3,839,928</u>	<u>733,471</u>	<u>79,731</u>	<u>4,653,130</u>
Commitments and contingent liabilities*	<u>2,265,073</u>	<u>199,110</u>	<u>14,721</u>	<u>2,478,904</u>
ECL allowance for credit facilities	<u>27,873</u>	<u>55,672</u>	<u>47,920</u>	<u>131,465</u>
	<i>31 March 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>3,685,677</u>	<u>770,551</u>	<u>283,778</u>	<u>4,740,006</u>
Commitments and contingent liabilities*	<u>2,251,939</u>	<u>332,142</u>	<u>5,991</u>	<u>2,590,072</u>
ECL allowance for credit facilities	<u>56,695</u>	<u>67,573</u>	<u>135,095</u>	<u>259,363</u>

*including commitments to extend non-cash facilities.

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

	<i>(Audited)</i>		
	<i>31 March</i> <i>2022</i> <i>KD 000's</i>	<i>31 December</i> <i>2021</i> <i>KD 000's</i>	<i>31 March</i> <i>2021</i> <i>KD 000's</i>
Available provision for credit losses	<u>209,240</u>	<u>201,632</u>	<u>271,083</u>

The provision includes KD 23,054 thousand (31 December 2021: KD 19,139 thousand and 31 March 2021: KD 15,734 thousand), being provision for non-cash facilities reported under other liabilities.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2022 (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 is as follows:

	<i>Three months ended 31 March 2022</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 2022	27,873	55,672	47,920	131,465
ECL movement for the period	(2,048)	(824)	23,516	20,644
Amounts written off	-	-	(3,806)	(3,806)
Foreign exchange adjustments	(390)	(2,718)	(2,380)	(5,488)
Balance at 31 March 2022	25,435	52,130	65,250	142,815

	<i>Three months ended 31 March 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
ECL movement for the period	4,126	(28,933)	65,227	40,420
Amounts written off	-	-	(24,054)	(24,054)
Foreign exchange adjustments	(393)	(3,085)	(6,240)	(9,718)
Balance at 31 March 2021	56,695	67,573	135,095	259,363

14. SUBSEQUENT EVENTS

The Bank, through its subsidiary Burgan Bank A.S., has banking operations in Turkey, which has been assessed as a hyperinflationary economy based on the cumulative inflation rates over the previous three years. Accordingly, the Bank is in the process of determining the impact of the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" on its subsidiary's financial statements, and will reflect these adjustments in the subsequent consolidated financial statements of the Group.