



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

**31 MARCH 2021 (UNAUDITED)**



Building a better  
working world

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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 2021, and the related interim condensed consolidated statement of income, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of 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 presentation 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 presentation 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, and 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 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 organization 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 2021 that might have had a material effect on the business of the Bank or on its financial position.

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

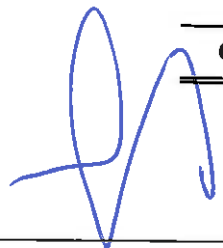
NAYEF M. AL BAZIE  
LICENSE NO. 91-A  
RSM Albazie & Co.

29 April 2021  
Kuwait

**Burgan Bank Group**
**Interim Condensed Consolidated Statement of Financial Position**  
**As at 31 March 2021 (Unaudited)**

		<i>(Audited)</i>	
	<i>31 March</i>	<i>31 December</i>	<i>31 March</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	748,877	819,477
Treasury bills and bonds with CBK and others		243,631	243,550
Due from banks and other financial institutions		406,615	469,517
Loans and advances to customers		4,256,329	4,345,058
Investment securities		620,592	591,668
Other assets		193,056	215,769
Property and equipment		158,045	157,143
Intangible assets		19,785	20,344
		<b>6,646,930</b>	<b>6,862,526</b>
Disposal group held for sale		252,953	243,558
<b>TOTAL ASSETS</b>		<b>6,899,883</b>	<b>7,106,084</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks		479,061	413,717
Due to other financial institutions		416,180	610,254
Deposits from customers		4,139,094	4,091,383
Other borrowed funds	4	578,593	679,096
Other liabilities	5	212,287	238,700
		<b>5,825,215</b>	<b>6,033,150</b>
Liabilities directly associated with the disposal group held for sale		202,635	193,170
<b>TOTAL LIABILITIES</b>		<b>6,027,850</b>	<b>6,226,320</b>
<b>EQUITY</b>			
Share capital	6	262,500	262,500
Share premium		249,052	249,052
Treasury shares	6	(1,742)	(1,742)
Statutory reserve		102,971	102,971
Voluntary reserve		103,349	103,349
Treasury shares reserve		43,135	43,135
Fair value reserve		(57,444)	(49,953)
Share based compensation reserve		564	564
Foreign currency translation reserve		(190,067)	(181,259)
Other reserves	6	11,605	8,645
Retained earnings		155,500	150,011
		<b>679,423</b>	<b>687,273</b>
Total equity attributable to the equity holders of the Bank		679,423	687,273
Perpetual Tier 1 capital securities		151,200	151,625
Non-controlling interests		41,410	40,866
<b>TOTAL EQUITY</b>		<b>872,033</b>	<b>879,764</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>6,899,883</b>	<b>7,106,084</b>

  
**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 2021 (Unaudited)**

	Notes	Three months ended	
		31 March	
		2021	2020
		KD 000's	KD 000's
Interest income		58,486	79,005
Interest expense		(32,365)	(37,519)
<b>Net interest income</b>		<b>26,121</b>	<b>41,486</b>
Fee and commission income		11,465	11,082
Fee and commission expense		(1,372)	(1,709)
<b>Net fee and commission income</b>		<b>10,093</b>	<b>9,373</b>
Net gain from foreign currencies		2,673	907
Net investment income		7,106	4,845
Dividend income		-	65
Other income		1,814	3,738
<b>Operating income</b>		<b>47,807</b>	<b>60,414</b>
Staff expenses		(11,271)	(12,588)
Other expenses		(9,386)	(10,940)
<b>Operating profit before credit loss expense and provisions</b>		<b>27,150</b>	<b>36,886</b>
Provision for credit losses		(20,194)	(16,388)
Provision charge for other financial assets		(26)	(389)
<b>Profit before taxation</b>		<b>6,930</b>	<b>20,109</b>
Taxation	7	(774)	(2,282)
<b>Profit for the period</b>		<b>6,156</b>	<b>17,827</b>
<b>Attributable to:</b>			
Equity holders of the Bank		5,060	17,231
Non-controlling interests		1,096	596
		<b>6,156</b>	<b>17,827</b>
<b>Basic and diluted earnings per share - attributable to the equity holders of the Bank (Fils)</b>	8	<b>2.1</b>	<b>5.5</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 31 March 2021 (Unaudited)**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2021</b>	<b>2020</b>
	<i>KD 000's</i>	<i>KD 000's</i>
<b>Profit for the period</b>	<b>6,156</b>	<b>17,827</b>
<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	(2,073)	(6,559)
	<b>(2,073)</b>	<b>(6,559)</b>
<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	(5,476)	(6,906)
Changes in allowance for expected credit losses	(1)	147
Net gain transferred to interim condensed consolidated statement of income	(339)	(1,385)
Foreign currency translation adjustment	(9,332)	(8,219)
Changes in fair value of cash flow hedges	855	2,515
Net gain on hedge of a net investment	2,479	3,934
<b>Other comprehensive loss for the period</b>	<b>(13,887)</b>	<b>(16,473)</b>
<b>Total comprehensive (loss) income for the period</b>	<b>(7,731)</b>	<b>1,354</b>
<b>Attributable to:</b>		
Equity holders of the Bank	(8,275)	280
Non-controlling interests	544	1,074
	<b>(7,731)</b>	<b>1,354</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 Changes in Shareholder's Equity**  
Period ended 31 March 2021 (Unaudited)

*Attributable to the equity holders of the Bank*

	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares reserve KD 000's	Fair value reserve KD 000's	Share based compensation reserve KD 000's	Foreign currency translation reserve KD 000's	Other reserves* KD 000's	Retained earnings KD 000's	Total KD 000's	Perpetual Tier 1 capital securities KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
Balance as 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	-	-	-	-	-	-	-	-	-	-	5,060	5,060	-	1,096	6,156
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(7,699)	-	(8,966)	3,330	-	(13,335)	-	(552)	(13,887)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(7,699)	-	(8,966)	3,330	5,060	(8,275)	-	544	(7,731)
Transfer related to disposal group held for sale	-	-	-	-	-	-	212	-	158	(370)	-	-	-	-	-
Net transfer to retained earnings for equity investments at FVOCI	-	-	-	-	-	-	(4)	-	-	-	4	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	425	425	(425)	-	-
<b>Balance as at 31 March 2021</b>	<b>262,500</b>	<b>249,052</b>	<b>(1,742)</b>	<b>102,971</b>	<b>103,349</b>	<b>43,135</b>	<b>(57,444)</b>	<b>564</b>	<b>(190,067)</b>	<b>11,605</b>	<b>155,500</b>	<b>679,423</b>	<b>151,200</b>	<b>41,410</b>	<b>872,033</b>

\* Refer note 6(c) for further details

**Burgan Bank Group**

**Interim Condensed Consolidated Statement of Changes in Shareholder's Equity (continued)**  
**Period ended 31 March 2021 (Unaudited)**

*Attributable to the equity holders of the Bank*

	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares reserve KD 000's	Fair value reserve KD 000's	Share based compensation reserve KD 000's	Foreign currency translation reserve KD 000's	Other reserves* KD 000's	Retained earnings KD 000's	Total KD 000's	Perpetual Tier 1 capital securities KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
Balance as 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	-	-	-	-	-	-	-	-	-	-	17,231	17,231	-	596	17,827
Other comprehensive loss for the period	-	-	-	-	-	-	(14,735)	-	(8,654)	6,438	-	(16,951)	-	478	(16,473)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(14,735)	-	(8,654)	6,438	17,231	280	-	1,074	1,354
Transfer related to disposal group held for sale	-	-	-	-	-	-	(31)	-	(745)	776	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(2,750)	(2,750)	2,750	-	-
Balance as at 31 March 2020	262,500	249,052	(1,742)	99,465	99,843	43,135	(45,330)	564	(161,371)	15,888	186,686	748,690	154,275	50,647	953,612

\* Refer note 6(c) for further details

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 31 March 2021 (Unaudited)**

	Note	Three months ended	
		31 March	
		2021	2020
		KD 000's	KD 000's
<b>Operating activities</b>			
Profit for the period before taxation		6,930	20,109
Adjustments:			
Net investment income		(7,106)	(4,845)
Provision for credit losses		20,194	16,388
Provision charge for other financial assets		26	389
Dividend income		-	(65)
Depreciation and amortisation		2,335	4,018
<b>Operating profit before changes in operating assets and liabilities</b>		<b>22,379</b>	<b>35,994</b>
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		7,287	7,209
Due from banks and other financial institutions		61,629	98,324
Loans and advances to customers		70,189	(42,483)
Other assets		19,211	29,018
Due to banks		65,964	116,047
Due to other financial institutions		(194,074)	(42,183)
Deposits from customers		60,194	(64,853)
Other liabilities		(29,463)	(10,624)
Taxation paid		(700)	(801)
<b>Net cash flows from operating activities</b>		<b>82,616</b>	<b>125,648</b>
<b>Investing activities</b>			
Purchase of investment securities		(214,844)	(196,799)
Proceeds from sale of investment securities		188,306	153,380
Purchase of property and equipment, net of disposals		(3,014)	(13,785)
Dividends received		-	65
<b>Net cash flows used in investing activities</b>		<b>(29,552)</b>	<b>(57,139)</b>
<b>Financing activities</b>			
Other borrowed funds		(100,420)	4,822
<b>Net cash flows (used in) from financing activities</b>		<b>(100,420)</b>	<b>4,822</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(47,356)</b>	<b>73,331</b>
Effect of foreign currency translation		(9,234)	(9,644)
Cash and cash equivalents at 1 January		964,563	761,508
<b>Cash and cash equivalents at 31 March</b>	3	<b>907,973</b>	<b>825,195</b>
<b>Additional cash flow information:</b>			
Interest received		64,689	66,937
Interest paid		42,372	38,679

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 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 the Kuwait Stock Exchange and is registered as a Bank with the Central Bank of Kuwait (“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 2021 were authorised for issue in accordance with a resolution of the Board of Directors on 12 April 2021. The consolidated financial statements of the Bank for the year ended 31 December 2020 are subject to approval in the annual general assembly of the shareholders of the Bank. The annual general assembly of the shareholders has the power to amend these consolidated financial statements after issuance and consequently, may have an impact on the current period interim condensed consolidated financial information.

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”).

#### **2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES**

##### **2.1 Basis of preparation**

The interim condensed consolidated financial information of the Group have 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 Central Bank of Kuwait (CBK) in the State of Kuwait. These regulations, including the issued CBK circulars on regulatory measures in response to COVID-19 and related CBK communications, require banks and other financial institutions regulated by CBK to adopt the International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) with the following amendments:

- (i) Expected credit loss (“ECL”) to be measured at the higher of ECL provision on credit facilities computed under IFRS 9 in accordance with CBK guidelines or the provisions as required by CBK instructions along with its consequent impact on related disclosures; and
- (ii) Recognition of modification losses on financial assets arising from payment holidays to customers in response to Covid-19 to be recognized in retained earnings instead of profit or loss as required by IFRS 9 as issued by IASB

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

The interim condensed 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 annual consolidated financial statements for the year ended 31 December 2020.

Further, results for the three months period ended 31 March 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.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2021 (Unaudited)

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

##### 2.2. The accounting policies adopted in the preparation of the interim condensed consolidated financial information

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the previous financial year, except for the amendments to IFRSs 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).

The amendments include the following practical expedients:

- ▶ A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- ▶ Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- ▶ Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed consolidated financial statements 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>31 March</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>31 March</i> <i>2020</i> <i>KD 000's</i>
Cash in hand and in current account with banks & OFIs	273,827	359,202	346,445
Balances with CBK	205,775	260,575	213,650
Due from banks and OFIs maturing within thirty days	269,312	199,724	111,477
	<u>748,914</u>	<u>819,501</u>	<u>671,572</u>
Expected credit losses	(37)	(24)	(15)
Cash and cash equivalents as per interim condensed consolidated statement of financial position	<u>748,877</u>	<u>819,477</u>	<u>671,557</u>
Cash and cash equivalents attributable to disposal group held for sale	159,096	145,086	153,638
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	<u><u>907,973</u></u>	<u><u>964,563</u></u>	<u><u>825,195</u></u>

**Burgan Bank Group**
**Notes to the Interim Condensed Consolidated Financial Information**  
**As at 31 March 2021 (Unaudited)**
**4. OTHER BORROWED FUNDS**

		<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<i>Effective interest</i>	<i>2021</i>	<i>2020</i>	<i>2020</i>
	<i>rate</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Subordinated bonds – KWD 2026 (Fixed tranche)*	6.00%	-	29,913	29,886
Subordinated bonds – KWD 2026 (Floating tranche capped at 7%)*	CBK+3.95%	-	69,467	69,404
Medium term borrowing	3M Libor+0.95%	-	-	107,889
Euro Medium Term Note	3.125%	151,065	151,416	153,839
Senior unsecured fixed rate bonds	4.125%	99,897	99,862	99,758
Murabaha facility	3M Libor+1.00%	60,063	60,195	-
Subordinated bonds – 2031	2.75%	150,345	150,755	-
Medium term borrowing	3M Libor+1.10%	117,223	117,488	-
		<b>578,593</b>	<b>679,096</b>	<b>460,776</b>

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

**5. OTHER LIABILITIES**

	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</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>
Accrued interest payable	28,978	38,985	48,273
Staff benefits	16,844	17,096	15,599
Provision for non - cash credit facilities	15,734	15,472	15,300
Clearing cheques and balances	36,468	35,126	36,286
Income received in advance	11,518	10,373	11,336
Other payable and accruals	36,294	37,848	32,178
Deferred tax liabilities	293	294	91
Taxation payable	12,621	11,825	14,143
Other balances	53,537	71,681	53,368
	<b>212,287</b>	<b>238,700</b>	<b>226,574</b>

**6. SHAREHOLDERS' EQUITY**

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

b) Treasury shares

	<i>31 March</i>	<i>(Audited)</i> <i>31 December</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>	<i>2020</i>
Number of shares held	4,577,228	4,577,228	4,577,228
Percentage of shares held	0.17%	0.17%	0.17%
Cost KD 000's	1,742	1,742	1,742
Market value - KD 000's	1,002	975	929
Weighted average market value per share (fils)	220	217	264

**Burgan Bank Group**
**Notes to the Interim Condensed Consolidated Financial Information**  
**As at 31 March 2021 (Unaudited)**
**6. SHAREHOLDERS' EQUITY (continued)**

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.

**c) Other reserves**

	<i>Three months period ended 31 March 2021</i>				
	<i>Hedge of net investment in foreign operations</i>	<i>Cash flow hedge reserve</i>	<i>Changes in ownership in subsidiaries</i>	<i>Reserve of disposal group held for sale</i>	<i>Total</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	13,145	2,295	(1,478)	(5,317)	8,645
Changes in fair value of cash flow hedge reserve	-	851	-	-	851
Net gain on hedge of a net investment	2,479	-	-	-	2,479
Transfer related to disposal group held for sale	-	-	-	(370)	(370)
<b>Total comprehensive income (loss)</b>	<b>2,479</b>	<b>851</b>	<b>-</b>	<b>(370)</b>	<b>2,960</b>
<b>Balance at 31 March 2021</b>	<b>15,624</b>	<b>3,146</b>	<b>(1,478)</b>	<b>(5,687)</b>	<b>11,605</b>

	<i>Three months period ended 31 March 2020</i>				
	<i>Hedge of net investment in foreign operations</i>	<i>Cash flow hedge reserve</i>	<i>Changes in ownership in subsidiaries</i>	<i>Reserve of disposal group held for sale</i>	<i>Total</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	8,583	579	(1,478)	990	8,674
Changes in fair value of cash flow hedge reserve	-	2,504	-	-	2,504
Net gain on hedge of a net investment	3,934	-	-	-	3,934
Transfer related to disposal group held for sale	-	-	-	776	776
<b>Total comprehensive income</b>	<b>3,934</b>	<b>2,504</b>	<b>-</b>	<b>776</b>	<b>7,214</b>
<b>Balance at 31 March 2020</b>	<b>12,517</b>	<b>3,083</b>	<b>(1,478)</b>	<b>1,766</b>	<b>15,888</b>

**d) Dividends and bonus shares**

The Board of Directors has recommended distributing cash dividend of 5 fils per share (2019: 12 fils) and bonus shares of 5% (2019: Nil) for the year ended 31 December 2020. Subject to being approved at the annual general assembly ("AGM") of the shareholders, the cash dividend and bonus shares shall be payable to shareholders registered in the Bank's records as of the AGM date.

**Burgan Bank Group**
**Notes to the Interim Condensed Consolidated Financial Information**
**As at 31 March 2021 (Unaudited)**
**7. TAXATION**

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2021</i>	<i>2020</i>
	<i>KD 000's</i>	<i>KD 000's</i>
National Labour Support Tax	126	448
Contribution to the Kuwait Foundation for the Advancement of Science	50	178
Zakat	50	179
Taxation arising from overseas subsidiaries	548	1,477
	<u>774</u>	<u>2,282</u>

**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 and other movements on 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>2021</i>	<i>2020</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Profit for the period attributable to equity holders of the Bank	5,060	17,231
Less: interest payments and other movements on Tier 1 capital securities	425	(2,750)
Profit for the period attributable to equity holders of the Bank after interest payment on Tier1 capital securities and other movements	<u>5,485</u>	<u>14,481</u>
	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	<u>2,620,422,772</u>	<u>2,620,422,772</u>
Basic and diluted earnings per share (fils)	<u>2.1</u>	<u>5.5</u>

## **Burgan Bank Group**

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

**As at 31 March 2021 (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.
- ▶ **Private and retail 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 31 March 2020 and as at 31 December 2020 have been restated to conform the current period presentation.





**Burgan Bank Group**
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As at 31 March 2021 (Unaudited)**
**9. SEGMENT INFORMATION (continued)**

	Kuwait Operations				International Operations	Unallocated Intragroup Transactions	Group Total
	Corporate banking KD 000's	Retail and Private banking KD 000's	Treasury and investment banking KD 000's	Central office KD 000's			
<b>31 March 2021</b>							
<b>Total assets</b>	<b>2,571,547</b>	<b>1,251,389</b>	<b>732,659</b>	<b>574,044</b>	<b>1,975,130</b>	<b>(204,886)</b>	<b>6,899,883</b>
<b>Total liabilities</b>	<b>1,078,610</b>	<b>1,034,587</b>	<b>353,784</b>	<b>2,028,671</b>	<b>1,743,198</b>	<b>(211,000)</b>	<b>6,027,850</b>
<b>31 December 2020 (Audited)</b>							
<b>Total assets</b>	<b>2,570,996</b>	<b>1,315,787</b>	<b>797,763</b>	<b>576,634</b>	<b>2,077,844</b>	<b>(232,940)</b>	<b>7,106,084</b>
<b>Total liabilities</b>	<b>1,052,296</b>	<b>1,042,338</b>	<b>277,165</b>	<b>2,254,000</b>	<b>1,835,109</b>	<b>(234,588)</b>	<b>6,226,320</b>
<b>31 March 2020</b>							
<b>Total assets</b>	<b>2,660,492</b>	<b>1,208,506</b>	<b>875,072</b>	<b>519,585</b>	<b>2,114,388</b>	<b>(294,730)</b>	<b>7,083,313</b>
<b>Total liabilities</b>	<b>941,671</b>	<b>1,012,888</b>	<b>646,315</b>	<b>2,002,647</b>	<b>1,810,838</b>	<b>(284,658)</b>	<b>6,129,701</b>

**Burgan Bank Group**
**Notes to the Interim Condensed Consolidated Financial Information**
**As at 31 March 2021 (Unaudited)**
**10. TRANSACTIONS WITH RELATED PARTIES**

The Group has entered into transactions with certain related parties (Parent Company, 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 CBK.

The outstanding balances and transactions are as follows:

	<i>Parent Company</i>	<i>Others</i>	<i>31 March 2021</i>	<i>(Audited) 31 December 2020</i>	<i>31 March 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*	-	172,653	172,653	184,879	174,475
Loans and advances to customers*	-	1,039,427	1,039,427	983,769	953,044
Investment securities	16,871	115,678	132,549	134,346	160,417
Investment securities managed by a related party	-	68,580	68,580	66,329	68,122
Other assets	-	5,282	5,282	5,283	4,830
Due to banks	-	15,626	15,626	21,448	8,204
Due to other financial institutions	-	40,714	40,714	31,716	82,937
Deposits from customers	107,647	58,036	165,683	125,274	68,075
<b><i>Commitments, contingent liabilities and derivatives</i></b>					
Letters of credit	-	16,746	16,746	21,454	11,505
Letters of guarantee	-	80,210	80,210	81,318	80,984
Undrawn lines of credit	-	89,747	89,747	103,529	75,840
Other commitments	-	19,900	19,900	15,987	15,101
<b><i>Transactions</i></b>					
Interest income	10	8,777	8,787	40,488	13,315
Interest expense	(16)	(101)	(117)	(1,929)	(1,213)
Fee and commission income	1	285	286	1,474	278
Fee and commission expenses	-	(128)	(128)	(739)	(255)
Dividend income	-	-	-	1,366	-
Other expense	-	(381)	(381)	(3,606)	(1,063)
<b><i>Other transactions during the period</i></b>					
Purchase of investment securities	-	-	-	29,571	23,791
Sale of investment securities	-	-	-	24,041	-
Loss on sale of investment securities	-	-	-	19	-

\*As of period ended 31 March 2021, the fair value of total eligible collateral to the extent of the outstanding balances amounting to KD 541,266 thousand (31 December 2020: KD 494,196 thousand, 31 March 2020: KD 495,719 thousand).

**Burgan Bank Group**
**Notes to the Interim Condensed Consolidated Financial Information**
**As at 31 March 2021 (Unaudited)**
**10. TRANSACTIONS WITH RELATED PARTIES (continued)**

	<i>No. of Board members / Group executive staff</i>	<i>31 March 2021</i>	<i>(Audited)</i>	
			<i>31 March 2020</i>	<i>31 March 2020</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Board members*</b>				
Loans and advances	2	4,445	4,452	4,125
Deposits from customers	7	939	907	366
<b>Group executive staff</b>				
Loans and advances	14	197	219	206
Deposits from customers	31	2,736	2,431	2,335
Letters of guarantee	1	7	7	21

\*Transactions with Board members include transactions with one of the Group executive staff 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 Officer and other Senior Officers), was as follows:

	<i>Three months ended</i>	
	<i>31 March 2021</i>	<i>31 March 2020</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short term employee benefits – including salary and bonus	1,733	2,252
Accrual for end of service indemnity	1,064	1,008
Accrual for cost of long term incentive rights	171	357
Accrual for committee services	30	93
	<b>2,998</b>	<b>3,710</b>

**11. COMMITMENTS AND CONTINGENT LIABILITIES**

	<i>31 March 2021</i>	<i>(Audited)</i>	
		<i>31 December 2020</i>	<i>31 March 2020</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Acceptances	38,830	36,172	30,857
Letters of credit	268,000	259,366	261,465
Letters of guarantee	866,584	857,342	844,414
Undrawn lines of credit	635,282	642,168	569,279
Other commitments	19,900	15,987	44,851
	<b>1,828,596</b>	<b>1,811,035</b>	<b>1,750,866</b>

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2021 (Unaudited)

#### 12. DERIVATIVES

The table below shows the notional amounts of derivatives outstanding as of the reporting date. The notional amount of a derivative's 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 Turkish subsidiary. 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 31 March 2021 has determined 54% (31 December 2020: 50%; 31 March 2020: 50%) as the optimal hedge ratio.

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

###### *Interest Rate Swaps*

One of the 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 in to similar transactions with counter parties or by other risk mitigating transactions.

The positive fair value of derivative instruments as at 31 March 2021 is KD 31,458 thousand (31 December 2020: KD 50,344 thousand and 31 March 2020: KD 38,991 thousand) and the negative fair value is KD 14,746 thousand (31 December 2020: KD 21,046 thousand and 31 March 2020: KD 22,897 thousand), included in the carrying amount of other assets and other liabilities respectively.

The notional amounts of derivatives are as follows:

	<i>31 March</i>	<i>(Audited)</i>	
	<i>2021</i>	<i>31 December</i>	<i>31 March</i>
	<i>KD 000's</i>	<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	1,133,430	1,156,287	1,026,355
Interest rate swaps	126,387	147,122	171,507
Options	55,950	33,996	76,477
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Derivatives held for hedging:</b>			
Forward swaps / foreign exchange contracts	40,293	40,914	47,112
Interest rate swaps	161,818	173,906	163,806
	<u>          </u>	<u>          </u>	<u>          </u>

## **Burgan Bank Group**

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

**As at 31 March 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;

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 31 March 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 nine months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, 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 666 thousand (31 March 2020: increase of KD 59 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:

	31 March 2021				31 December 2020				31 March 2020			
	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000	Level 1 KD '000	Level 2 KD '000	Level 3 KD '000	Total KD '000
<b>Financial assets</b>												
Equity securities	87,210	-	93,668	180,878	88,422	-	93,243	181,665	87,795	-	123,268	211,063
Debt securities	273,997	-	8,000	281,997	245,042	-	8,000	253,042	206,165	-	8,000	214,165
Managed funds	-	-	69,067	69,067	-	-	66,739	66,739	-	-	68,700	68,700
Derivative financial instruments	-	31,458	-	31,458	-	50,344	-	50,344	-	38,991	-	38,991
<b>Financial liabilities</b>												
Derivative financial instruments:	-	14,746	-	14,746	-	21,046	-	21,046	-	22,897	-	22,897

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 31 March 2021 (Unaudited)**
**13. FINANCIAL INSTRUMENTS (continued)**

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

<b>31 March 2021</b>	<i>Stage 1</i> <i>KD '000</i>	<i>Stage 2</i> <i>KD '000</i>	<i>Stage 3</i> <i>KD '000</i>	<i>Total</i> <i>KD '000</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>
<b>31 December 2020</b>	<i>Stage 1</i> <i>KD '000</i>	<i>Stage 2</i> <i>KD '000</i>	<i>Stage 3</i> <i>KD '000</i>	<i>Total</i> <i>KD '000</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>
<b>31 March 2020</b>	<i>Stage 1</i> <i>KD '000</i>	<i>Stage 2</i> <i>KD '000</i>	<i>Stage 3</i> <i>KD '000</i>	<i>Total</i> <i>KD '000</i>
Credit facilities	<u>3,713,600</u>	<u>909,965</u>	<u>159,491</u>	<u>4,783,056</u>
Commitments and contingent liabilities*	<u>2,303,677</u>	<u>197,815</u>	<u>6,514</u>	<u>2,508,006</u>
ECL allowance for credit facilities	<u>45,623</u>	<u>99,170</u>	<u>84,751</u>	<u>229,544</u>

\*including commitments to extend non-cash facilities.

	<i>31 March</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>31 March</i> <i>2020</i> <i>KD 000's</i>
Available provision for credit losses	<u>271,083</u>	<u>281,377</u>	<u>263,698</u>

The available provision includes KD 15,734 thousand (31 December 2020: 15,472 thousand, 31 March 2020: KD 15,300 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 2021 (Unaudited)****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 risk. 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 process.