

BURGAN BANK GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 SEPTEMBER 2016 (UNAUDITED)

Burgan Bank Group

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2016 (Unaudited)

			(Audited)	
		30 September	31 December	30 September
	Notes	2016	2015	2015
		KD 000's	KD 000's	KD 000's
ASSETS				
Cash and cash equivalents	3	864,357	903,409	986,471
Treasury bills and bonds with CBK and others		455,868	471,800	648,514
Due from banks and other financial institutions		678,570	574,870	822,886
Loans and advances to customers		4,254,328	4,011,645	4,404,387
Investment securities		541,782	570,125	490,251
Other assets		176,152	165,533	241,388
Property and equipment		86,368	81,163	96,833
Intangible assets		42,202	46,160	162,706
TOTAL ASSETS		7,099,627	6,824,705	7,853,436
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		646,188	886,102	946,131
Due to other financial institutions		1,148,414	816,841	852,582
Deposits from customers		3,857,595	3,874,344	4,672,673
Other borrowed funds	4	437,158	218,003	233,049
Other liabilities	5	189,060	193,092	207,245
TOTAL LIABILITIES		6,278,415	5,988,382	6,911,680
EQUITY				
Share capital	6	204,936	204,936	204,936
Share premium		210,559	210,559	210,559
Treasury shares	6	(12,582)	(12,582)	(9,575)
Statutory reserve		67,859	67,859	59,916
Voluntary reserve		68,237	68,237	60,294
Treasury shares reserve		45,082	45,082	45,082
Investments revaluation reserve		(537)	(2,292)	(5,489)
Share based compensation reserve		564	564	564
Foreign currency translation reserve		(70,372)	(61,557)	(47,616)
Other reserves	6	(13,092)	(7,112)	1,920
Retained earnings		124,266	122,981	121,765
Total equity attributable to the equity holders of the Bank		624,920	636,675	642,356
Perpetual Tier 1 capital securities	6	144,025	144,025	144,025
Non-controlling interests		52,267	55,623	155,375
TOTAL EQUITY		821,212	836,323	941,756
TOTAL LIABILITIES AND EQUITY		7,099,627	6,824,705	7,853,436

Khalid Al Zouman
Group Chief Financial Officer

Eduardo Eguren Linsen
Group Chief Executive Officer

Majed Essa Al Ajeel
Chairman of the Board

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

Burgan Bank Group

Interim Condensed Consolidated Statement of Income

Period ended 30 September 2016 (Unaudited)

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
		KD 000's	KD 000's (Restated)	KD 000's	KD 000's (Restated)
Interest income		79,334	64,584	233,675	194,276
Interest expense		(39,750)	(25,885)	(115,903)	(76,687)
Net interest income		39,584	38,699	117,772	117,589
Fee and commission income		9,866	9,781	30,142	32,372
Fee and commission expense		(1,386)	(1,391)	(3,838)	(4,143)
Net fee and commission income		8,480	8,390	26,304	28,229
Net gain from foreign currencies		2,798	12,412	9,651	24,902
Net investment income		3,381	48	10,299	2,447
Dividend income		30	-	2,327	2,653
Other income		1,319	1,321	2,753	5,314
Operating income		55,592	60,870	169,106	181,134
Staff expenses		(13,297)	(13,037)	(39,994)	(39,994)
Other expenses		(13,201)	(13,233)	(40,742)	(39,749)
Operating profit before provision		29,094	34,600	88,370	101,391
Provision for impairment of loans and advances		(8,562)	(10,275)	(30,904)	(34,072)
Provision for impairment of investment securities		(80)	(310)	(2,898)	(498)
Profit for the period from continuing operations before taxation		20,452	24,015	54,568	66,821
Taxation	7	(2,682)	(2,306)	(6,480)	(7,797)
Profit for the period from continuing operations		17,770	21,709	48,088	59,024
Profit after tax for the period from discontinued operations		-	1,720	-	7,210
Profit for the period		17,770	23,429	48,088	66,234
Attributable to:					
Equity holders of the Bank		17,188	21,637	48,612	59,029
Non-controlling interests		582	1,792	(524)	7,205
		17,770	23,429	48,088	66,234
		Fils	Fils	Fils	Fils
Basic and diluted earnings per share - attributable to the equity holders of the Bank	8	5.8	8.0	18.6	23.7
Basic and diluted earnings per share from continuing operations attributable to the equity holders of the Bank	8	5.8	7.5	18.6	21.9

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

Burgan Bank Group

Interim Condensed Consolidated Statement of Comprehensive Income Period ended 30 September 2016 (Unaudited)

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2016</i> <i>KD 000's</i>	<i>2015</i> <i>KD 000's</i>	<i>2016</i> <i>KD 000's</i>	<i>2015</i> <i>KD 000's</i>
Profit for the period	17,770	23,429	48,088	66,234
Other comprehensive (loss) income:				
<i>Other comprehensive (loss) income to be reclassified to interim condensed consolidated income statement in subsequent periods:</i>				
Financial assets available for sale:				
Net fair value loss	4,866	(5,930)	(213)	(11,743)
Net transfer to income statement	(617)	718	2,347	874
Foreign currency translation adjustment	(3,938)	(16,669)	(11,795)	(24,405)
Changes in fair value of cash flow hedges	(15)	677	(1,491)	1,376
Net gain(loss) on hedge of a net investment	1,618	-	(4,500)	-
Other comprehensive loss for the period	1,914	(21,204)	(15,652)	(33,898)
Total comprehensive income for the period	19,684	2,225	32,436	32,336
Attributable to:				
Equity holders of the Bank	18,776	468	35,572	21,421
Non-controlling interests	908	1,757	(3,136)	10,915
	19,684	2,225	32,436	32,336

Burgan Bank Group

Interim Condensed Consolidated Statement of Changes in Equity

Period ended 30 September 2016 (Unaudited)

	<i>Attributable to the equity holders of the Bank</i>												<i>Perpetual Tier 1 capital securities</i>	<i>Non controlling interests</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>Treasury shares reserve</i>	<i>Investment revaluation 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>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 as at 1 January 2016	204,936	210,559	(12,582)	67,859	68,237	45,082	(2,292)	564	(61,557)	(7,112)	122,981	636,675	144,025	55,623	836,323
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	48,612	48,612	-	(524)	48,088
Other comprehensive income (loss) for the period	-	-	-	-	-	-	1,755	-	(8,815)	(5,980)	-	(13,040)	-	(2,612)	(15,652)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	1,755	-	(8,815)	(5,980)	48,612	35,572	-	(3,136)	32,436
Cash dividend paid (note 6)	-	-	-	-	-	-	-	-	-	-	(36,375)	(36,375)	-	(220)	(36,595)
Interest payment on Tier 1 capital securities (note 6)	-	-	-	-	-	-	-	-	-	-	(10,952)	(10,952)	-	-	(10,952)
Balance as at 30 September 2016	204,936	210,559	(12,582)	67,859	68,237	45,082	(537)	564	(70,372)	(13,092)	124,266	624,920	144,025	52,267	821,212
Balance as at 1 January 2015	195,177	210,559	(9,575)	59,916	60,294	45,082	4,912	564	(19,043)	554	112,401	660,841	144,025	151,021	955,887
Profit for the period	-	-	-	-	-	-	-	-	-	-	59,029	59,029	-	7,205	66,234
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(10,401)	-	(28,573)	1,366	-	(37,608)	-	3,710	(33,898)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(10,401)	-	(28,573)	1,366	59,029	21,421	-	10,915	32,336
Bonus shares issued (note 6)	9,759	-	-	-	-	-	-	-	-	-	(9,759)	-	-	-	-
Cash dividend paid (note 6)	-	-	-	-	-	-	-	-	-	-	(28,983)	(28,983)	-	(6,561)	(35,544)
Interest payment on Tier 1 capital securities (note 6)	-	-	-	-	-	-	-	-	-	-	(10,923)	(10,923)	-	-	(10,923)
Balance as at 30 September 2015	204,936	210,559	(9,575)	59,916	60,294	45,082	(5,489)	564	(47,616)	1,920	121,765	642,356	144,025	155,375	941,756

*Refer note 6 for further break up of other reserves

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

Burgan Bank Group

Interim Condensed Consolidated Statement of Cash Flows Period ended 30 September 2016 (Unaudited)

	<i>Nine months ended 30 September</i>	
<i>Note</i>	2016	2015
	KD 000's	KD 000's
Operating activities		
Profit for the period before taxation		
- Continuing operations	54,568	66,821
- Discontinued operations	-	10,922
	<u>54,568</u>	<u>77,743</u>
Adjustments:		
Net investment income	(10,299)	(2,523)
Provision for impairment of loans and advances	30,904	42,252
Provision for impairment of investment securities	2,898	1,038
Dividend income	(2,327)	(3,373)
Depreciation and amortisation	9,320	12,500
	<u>85,064</u>	<u>127,637</u>
Operating profit before changes in operating assets and liabilities	85,064	127,637
Changes in operating assets and liabilities:		
Treasury bills and bonds with CBK and others	15,932	(18,695)
Due from banks and other financial institutions	(102,925)	(133,052)
Loans and advances to customers	(274,362)	(60,188)
Other assets	(10,619)	18,107
Due to banks	(239,914)	144,953
Due to other financial institutions	331,573	27,332
Deposits from customers	(16,749)	(35,658)
Other liabilities	(3,409)	(24,330)
Taxation paid	(7,103)	(14,068)
	<u>(222,512)</u>	<u>32,038</u>
Net cash flows (used in) from operating activities		
	<u>(222,512)</u>	<u>32,038</u>
Investing activities		
Purchase of investment securities	(363,753)	(688,308)
Proceeds from sale of investment securities	395,640	674,991
Purchase of property and equipment, net of disposals	(11,568)	(10,759)
Dividends received	2,327	3,373
	<u>22,646</u>	<u>(20,703)</u>
Net cash flows from (used in) investing activities		
	<u>22,646</u>	<u>(20,703)</u>
Financing activities		
Other borrowed funds	219,155	6,405
Cash dividends paid	(36,595)	(35,544)
Interest payment on Tier1 capital securities	(10,952)	(10,923)
	<u>171,608</u>	<u>(40,062)</u>
Net cash flows from (used in) financing activities		
	<u>171,608</u>	<u>(40,062)</u>
Net decrease in cash and cash equivalents	(28,258)	(28,727)
Effect of foreign currency translation	(10,794)	(25,365)
Cash and cash equivalents at 1 January	903,409	1,040,563
	<u>864,357</u>	<u>986,471</u>
Cash and cash equivalents at 30 September	864,357	986,471
	<u>3</u>	
Additional cash flow information:		
Interest received	227,810	225,682
Interest paid	101,910	83,806

The attached notes 1 to 13 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 September 2016 (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 30 September 2016 were authorised for issue in accordance with a resolution of the Board of Directors on 13 October 2016.

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”).

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The new Executive Regulations of Law No. 1 of 2016 was issued on 12 July 2016 and was published in the Official Gazette on 17 July 2016 which cancelled the Executive Regulations of Law No. 25 of 2012.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

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 annual consolidated financial statements for the year ended 31 December 2015 were prepared in accordance with the regulations of the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all International Financial Reporting Standards (“IFRS”) except for the IAS 39: Financial instruments: Recognition and Measurement (“IAS 39”) requirement for collective provision, which has been replaced by the CBK’s requirement for a minimum general provision.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2015.

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 2015. Further, results for the nine months period ended 30 September 2016, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

Comparative information for the three months and nine months period ended 30 September 2015 has been restated for discontinued operations.

3. CASH AND CASH EQUIVALENTS

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2016</i>	<i>2015</i>	<i>2015</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 & other financial institutions (OFI’s)	489,378	544,353	655,004
Balances with CBK	91,526	24,510	4,964
Due from banks and OFI’s maturing within thirty days	283,453	334,546	326,503
	864,357	903,409	986,471

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

4. OTHER BORROWED FUNDS

	<i>Effective interest rate</i>	<i>30 September 2016 KD 000's</i>	<i>(Audited) 31 December 2015 KD 000's</i>	<i>30 September 2015 KD 000's</i>
Subordinated bonds – KWD 2026 (Fixed tranche) *	6.00%	29,757	-	-
Subordinated bonds – KWD 2026 (Floating tranche capped at 7%)*	CBK+3.95%	69,103	-	-
Subordinated notes	8.125%	-	-	118,081
Subordinated bonds – KWD 2022 (Fixed tranche)**	5.65%	35,167	40,788	40,780
Subordinated bonds – KWD 2022 (Floating tranche capped at 6.650%)**	CBK+3.90%	37,154	57,461	58,442
Medium term borrowing	3M Libor+1.05%	105,144	106,225	-
Euro Medium Term Note***	3.125%	149,629	-	-
Other borrowings – subsidiaries	11.85% -12.30%	4,923	5,104	4,909
Other borrowings – subsidiaries	0.52%-3.71%	6,281	8,425	10,837
		437,158	218,003	233,049

*During the period, the Bank issued KD 100 million bonds due in 2026 (the “KWD 2026 bonds”) at the principal amount. The effective interest rate of floating rate tranche is capped at 7% up to the reset date and following the reset date the effective interest rate will be capped at the sum of the interest rate applicable at that time to the Fixed rate bond and 1%. The reset date is defined as the fifth anniversary from the issuance date. The KWD 2026 bonds are callable in full but not in part, at the option of the Bank, after 5 years from the date of issuance (subject to certain conditions being satisfied and prior approval of the CBK).

**In 2012, the Bank issued KD 100 million bonds due 2022 (the “KWD 2022 bonds”) at the principal amount. The Subordinated bonds are callable in whole, or, in part, at the option of the Bank after 5 years from the date of the issuance (subject to certain conditions being satisfied and prior approval of the CBK). However, as these bonds are no longer eligible as Tier II capital under the Kuwait Basel III regulations, the Bank had received approval to repurchase the KWD 2022 bonds.

***During the period, the Bank established a USD 1.5 billion Reg S Euro Medium Term Note (“EMTN”) Programme, under which Burgan may issue senior unsecured debt securities. The establishment of this Programme marked a strategic step towards fully integrating the global debt capital markets into the Bank’s existing funding platform. The Programme will provide the Bank with a sustainable and diverse source of wholesale financing.

The Base Prospectus for the EMTN Programme is dated 30 June 2016, and has been approved by the Central Bank of Ireland for admission to the Irish Stock Exchange. The EMTN Programme has been rated A+ and A3 by Fitch and Moody’s Investor Services, respectively. The establishment of the Programme has been approved by the Central Bank of Kuwait and the Capital Markets Authority.

On 14 September 2016, the Bank successfully issued USD 500 million Senior Unsecured Bonds due in 2021 (“Bonds”) under the EMTN programme. The Bonds, which were priced at 99.30% carry a fixed coupon of 3.125%.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

5. OTHER LIABILITIES

	30 September 2016	<i>(Audited)</i> 31 December 2015	30 September 2015
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Accrued interest payable	48,878	34,885	38,309
Staff benefits	11,855	11,957	15,541
Provision for non - cash credit facilities	17,620	18,339	19,191
Clearing cheques and balances	38,500	38,128	39,947
Income received in advance	12,600	10,639	9,478
Other payable and accruals	31,756	38,054	33,318
Deferred tax liabilities	31	29	797
Taxation payable	5,828	11,104	12,129
Other balances	21,992	29,957	38,535
	<u>189,060</u>	<u>193,092</u>	<u>207,245</u>

6. SHAREHOLDERS' EQUITY

a) Authorised, issued and fully paid up capital of the Bank

	30 September 2016	<i>(Audited)</i> 31 December 2015	30 September 2015
Authorised share capital (shares of 100 fils each)	<u>2,500,000,000</u>	<u>2,500,000,000</u>	<u>2,500,000,000</u>
Issued and fully paid up capital (shares of 100 fils each)	<u>2,049,359,158</u>	<u>2,049,359,158</u>	<u>2,049,359,158</u>

b) Treasury shares

	30 September 2016	<i>(Audited)</i> 31 December 2015	30 September 2015
Number of shares held	<u>28,496,685</u>	<u>28,496,685</u>	<u>20,571,685</u>
Percentage of shares held	<u>1.39%</u>	<u>1.39%</u>	<u>1.00%</u>
Cost KD 000's	<u>12,582</u>	<u>12,582</u>	<u>9,575</u>
Market value - KD 000's	<u>9,262</u>	<u>10,829</u>	<u>7,920</u>
Weighted average market value per share (fils)	<u>329</u>	<u>429</u>	<u>441</u>

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 general reserve throughout the holding period of these treasury shares.

c) Other reserves

	<i>Nine months period ended 30 September</i>					
	2016			2015		
	<i>Changes in ownership in subsidiaries KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Total KD 000's</i>	<i>Changes in ownership in subsidiaries KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Total KD 000's</i>
Balance at 1 January	(1,553)	(5,559)	(7,112)	554	-	554
Other comprehensive loss	-	(5,980)	(5,980)	-	1,366	1,366
Total comprehensive loss	-	(5,980)	(5,980)	-	1,366	1,366
Balance at 30 September	<u>(1,553)</u>	<u>(11,539)</u>	<u>(13,092)</u>	<u>554</u>	<u>1,366</u>	<u>1,920</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

6. SHAREHOLDERS' EQUITY (continued)

d) Dividend

On 20 April 2016, the annual general assembly approved the distribution of cash dividend of 18 fils per share (2014: 15 fils) and stock dividend of nil (2014: 5%) for the year ended 31 December 2015.

The cash dividend were paid during the period.

e) Perpetual Tier 1 Capital Securities

On 30 September 2014, the Bank through Burgan Tier 1 Financing Limited ("Issuer") issued Perpetual Tier 1 Capital Securities (the "Tier 1 securities"), amounting to USD 500,000 thousand.

The Tier 1 securities are unconditionally and irrevocably guaranteed by the Bank and constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and are classified as equity in accordance with IAS 32: Financial Instruments – Classification. The Tier 1 securities do not have a maturity date. They are redeemable by the Bank at its discretion after 30 September 2019 (the "First Call Date") or on any interest payment date thereafter subject to the prior consent of the regulatory authority.

The Tier 1 securities bear interest on their nominal amount from the issue date to the first call date at a fixed annual rate of 7.25%. Thereafter the interest rate will be reset at five year intervals. Interest will be payable semi-annually in arrears and treated as a deduction from equity.

The Bank at its sole discretion may elect not to distribute interest and this is not considered an event of default. If the Bank does not pay interest on the Tier 1 securities, on a scheduled interest payment date (for whatever reason), then the Bank must not make any other distribution or payment on or with respect to its other shares that rank equally with or junior to the Tier 1 securities (other than pro-rata distributions or payments on shares that rank equally with Tier 1 securities) unless and until it has paid two consecutive interest payments in full on the Tier 1 securities.

The semi-annual interest payments were paid during the period.

7. TAXATION

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
National Labour Support Tax	449	566	1,271	1,544
Contribution to the Kuwait Foundation for the Advancement of Science	162	204	458	556
Zakat	180	226	509	617
Taxation arising from overseas subsidiaries	1,891	1,310	4,242	5,080
	<u>2,682</u>	<u>2,306</u>	<u>6,480</u>	<u>7,797</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (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>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2016 KD 000's	2015 KD 000's <i>(Restated)</i>	2016 KD 000's	2015 KD 000's <i>(Restated)</i>
Profit for the period attributable to equity holders of the Bank	17,188	21,637	48,612	59,029
Less: interest payments on Tier 1 capital securities	(5,466)	(5,489)	(10,952)	(10,923)
Profit for the period attributable to equity holders of the Bank after interest payment on Tier 1 capital securities	11,722	16,148	37,660	48,106
	Shares	<i>Shares</i>	Shares	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	2,020,862,473	2,028,787,473	2,020,862,473	2,028,787,473
Basic and diluted earnings per share (fils)	5.8	8.0	18.6	23.7

Basic and diluted earnings per share from continuing operations:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2016 KD 000's	2015 KD 000's <i>(Restated)</i>	2016 KD 000's	2015 KD 000's <i>(Restated)</i>
Profit for the period from continuing operations attributable to equity holders of the Bank	17,188	20,769	48,612	55,410
Less: interest payments on Tier 1 capital securities	(5,466)	(5,489)	(10,952)	(10,923)
Profit for the period from continuing operations attributable to equity holders of the Bank after interest payment on Tier 1 capital securities	11,722	15,280	37,660	44,487
	Shares	<i>Shares</i>	Shares	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	2,020,862,473	2,028,787,473	2,020,862,473	2,028,787,473
Basic and diluted earnings per share from continuing operations (fils)	5.8	7.5	18.6	21.9

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

8. EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from discontinued operations:

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2016 KD 000's	2015 KD 000's <i>(Restated)</i>	2016 KD 000's	2015 KD 000's <i>(Restated)</i>
Profit for the period from discontinued operations attributable to equity holders of the Bank	-	868	-	3,619
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	2,020,862,473	2,028,787,473	2,020,862,473	2,028,787,473
Basic and diluted earnings per share from discontinued operations (fils)	-	0.4	-	1.8

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, investment banking and others: includes treasury asset liability and liquidity management, investment services and management, fund management and any residual of transfer pricing. It also provides products and services to banks including money markets, lending, deposits, foreign exchange and others.

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 30 September 2016 (Unaudited)

9. SEGMENT INFORMATION (continued)

The following table present information relating to the income and results of the Group's operating segments for the nine months period ended 30 September 2016:

	<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>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>	<i>Total KD 000's</i>	
<i>30 September 2016</i>							
Net interest income	37,911	28,538	5,965	72,414	52,712	(7,354)	117,772
Segment operating income	49,514	32,048	22,623	104,185	74,250	(9,329)	169,106
Depreciation and amortisation	(560)	(1,193)	(372)	(2,125)	(4,238)	(2,957)	(9,320)
Segment result before provisions	43,324	18,867	18,522	80,713	23,554	(8,536)	95,731
Provision for impairment of loans and advances	(6,552)	(3,409)	(168)	(10,129)	(9,194)	3,419	(15,904)
Provision for impairment of investment securities	-	-	(2,308)	(2,308)	(590)	-	(2,898)
Segment result after provisions	36,772	15,458	16,046	68,276	13,770	(5,117)	76,929
Unallocated expenses				(7,361)	-	-	(7,361)
Unallocated provisions				(15,000)	-	-	(15,000)
Profit for the period from continuing operations before Taxation				45,915	13,770	(5,117)	54,568

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

9. SEGMENT INFORMATION (continued)

	<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>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>30 September 2015 (restated)</i>						
Net interest income	38,626	26,727	7,250	56,675	(11,689)	117,589
Segment operating income	49,725	30,863	38,923	80,255	(18,632)	181,134
Depreciation and amortisation	(474)	(1,095)	(305)	(3,936)	(2,965)	(8,775)
Segment result before provisions	44,086	17,829	35,279	32,910	(21,596)	108,508
Provision for impairment of loans and advances	(8,050)	(3,882)	(51)	(11,182)	593	(22,572)
Impairment of investment securities	-	-	(419)	(79)	-	(498)
Segment result after provisions	36,036	13,947	34,809	21,649	(21,003)	85,438
Unallocated expenses			(7,117)			(7,117)
Unallocated provisions			(11,500)			(11,500)
Profit for the period before taxation			66,175	21,649	(21,003)	66,821

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

9. SEGMENT INFORMATION (continued)

The table below presents assets and liabilities information regarding the Group's operating segments as at 30 September 2016, 31 December 2015 and 30 September 2015 respectively.

	<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>30 September 2016</i>						
Total assets	<u>2,007,722</u>	<u>1,200,661</u>	<u>2,159,330</u>	<u>2,238,214</u>	<u>(506,300)</u>	<u>7,099,627</u>
Total liabilities	<u>733,269</u>	<u>809,442</u>	<u>3,031,660</u>	<u>1,957,686</u>	<u>(253,642)</u>	<u>6,278,415</u>
<i>31 December 2015</i>						
Total assets	<u>1,808,515</u>	<u>1,145,607</u>	<u>2,064,522</u>	<u>2,285,656</u>	<u>(479,595)</u>	<u>6,824,705</u>
Total liabilities	<u>567,965</u>	<u>770,368</u>	<u>2,867,706</u>	<u>2,001,382</u>	<u>(219,039)</u>	<u>5,988,382</u>
<i>30 September 2015</i>						
Total assets	<u>1,776,332</u>	<u>1,119,795</u>	<u>2,184,977</u>	<u>3,349,809</u>	<u>(577,477)</u>	<u>7,853,436</u>
Total liabilities	<u>708,858</u>	<u>822,855</u>	<u>2,780,676</u>	<u>2,897,006</u>	<u>(297,715)</u>	<u>6,911,680</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (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>(Audited)</i>		
	<i>Parent</i>	<i>Associate</i>	<i>Others</i>	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>Company</i>			<i>2016</i>	<i>2015</i>	<i>2015</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>
Balances						
Due from banks and other financial						
Institutions	-	34,655	207,973	242,628	296,078	184,135
Loans and advances to customers	-	-	979,504	979,504	876,897	769,701
Investment securities	41,835	-	136,821	178,656	172,146	95,390
Investment securities managed						
by a related party	-	-	58,292	58,292	61,971	65,440
Other assets	-	-	-	-	-	7,000
Due to banks	-	3	42,818	42,821	9,605	13,159
Due to other financial institutions	-	-	36,145	36,145	20,475	35,104
Deposits from customers	6,936	-	59,737	66,673	64,461	67,643
Commitments, contingent liabilities and derivatives						
Letters of credit	-	-	4,850	4,850	4,146	1,051
Letters of guarantee	-	-	44,484	44,484	41,359	37,934
Derivative financial instruments	-	-	38,949	38,949	38,327	37,886
Transactions						
Interest income	29	1,505	28,657	30,191	32,786	23,083
Interest expense	331	22	564	917	532	299
Fee and commission income	2	4	733	739	1,372	1,028
Dividend income	1,838	-	146	1,984	2,389	2,389
Other expense	-	-	1,451	1,451	1,719	1,280
Sale of investment security	-	-	-	-	-	15,213
Other transactions						
Sale of a subsidiary	-	-	-	-	191,128	-
Purchase of investment securities	-	-	-	-	65,495	-
Sale of investment securities	-	-	-	-	15,213	-
Gain on sale of a subsidiary	-	-	-	-	6,505	-

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

10. TRANSACTIONS WITH RELATED PARTIES (continued)

		<i>(Audited)</i>		
	<i>No. of Board members / Group executive staff</i>	<i>30 September 2016 KD 000's</i>	<i>31 December 2015 KD 000's</i>	<i>30 September 2015 KD 000's</i>
Board members				
Loans and advances	4	3,930	3,777	3,629
Deposits from customers	8	1,121	974	897
Group executive staff				
Loans and advances	21	200	156	534
Deposits from customers	33	2,317	2,308	3,108
Letters of guarantee	3	2	2	2

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>30 September</i>	
	<i>2016 KD 000's</i>	<i>2015 KD 000's (Restated)</i>
Short term employee benefits – including salary and bonus	4,976	3,845
Accrual for end of service indemnity	343	337
Accrual for committee services	225	225
Accrual for cost of long term incentive rights	544	452
	<u>6,088</u>	<u>4,859</u>

11. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>30 September 2016 KD 000's</i>	<i>31 December 2015 KD 000's</i>	<i>30 September 2015 KD 000's</i>
Acceptances	39,114	26,499	57,002
Letters of credit	193,662	261,576	257,843
Letters of guarantee	880,870	756,928	850,157
Undrawn lines of credit	635,573	345,573	390,451
Other commitments	55,539	54,862	51,521
	<u>1,804,758</u>	<u>1,445,438</u>	<u>1,606,974</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (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.

Derivatives held for hedging

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 profit or loss during the period.

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 upto 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 profit or loss.

No ineffectiveness from hedges was recognised in profit or loss 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 30 September 2016 is KD 20,996 thousand (31 December 2015: KD 14,728 thousand and 30 September 2015: KD 21,720 thousand) and the negative fair value is KD 13,924 thousand (31 December 2015: KD 15,479 thousand and 30 September 2015: KD 13,058 thousand), included in the carrying amount of other assets (other liabilities).

	<i>Notional amount</i>		
	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2016</i>	<i>2015</i>	<i>2015</i>
	<i>KD 000's</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	1,183,141	1,000,659	1,061,256
Interest rate swaps	218,071	216,031	219,865
Options	480,728	300,915	213,096
	=====	=====	=====
Derivatives held for hedging:			
Forward swaps/ foreign exchange contracts	100,404	100,332	-
Interest rate swaps	97,258	52,666	52,810
	=====	=====	=====

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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 three 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 and variable rate financial instruments.

Movement in level 3 is mainly on account of purchases and change in fair value. During the period, a decrease of KD 431 thousand (30 September 2015: decrease of KD 1,446 thousand) was recorded in the other comprehensive income representing change in fair value. There were no material transfers between the levels during the period.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2016 (Unaudited)

13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	30 September 2016				31 December 2015				30 September 2015			
	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
Financial assets												
<i>Financial assets at fair value through profit or loss:</i>												
<i>Financial assets held for trading:</i>												
Equity securities	724	-	-	724	652	-	-	652	2,657	-	-	2,657
Debt securities	6,321	-	-	6,321	3,917	-	-	3,917	19,149	-	-	19,149
Derivative financial instruments:												
- Forward swaps/foreign exchange contracts	-	12,232	-	12,232	-	6,794	-	6,794	-	11,521	-	11,521
- Interest rate swaps	-	6,309	-	6,309	-	5,988	-	5,988	-	6,710	-	6,710
- Options	-	2,455	-	2,455	-	1,946	-	1,946	-	3,489	-	3,489
<i>Financial assets designated at fair value through profit or loss:</i>												
Equity securities	307	-	33,905	34,212	348	-	27,286	27,634	349	-	21,560	21,909
Managed funds	-	-	62,639	62,639	-	-	62,324	62,324	-	-	65,622	65,622
<i>Financial assets available for sale:</i>												
Equity securities	62,934	-	132,301	195,235	62,907	-	136,550	199,457	72,668	-	66,506	139,174
Debt securities	129,525	-	40,400	169,925	156,288	-	40,402	196,690	111,292	-	49,260	160,552
Financial liabilities												
<i>Financial liabilities at fair value through profit or loss:</i>												
Derivative financial instruments:												
Forward swaps/foreign exchange contracts	-	8,195	-	8,195	-	10,935	-	10,935	-	7,780	-	7,780
Interest rate swaps	-	3,360	-	3,360	-	2,700	-	2,700	-	1,921	-	1,921
Options	-	2,369	-	2,369	-	1,844	-	1,844	-	3,357	-	3,357

Fair values of all financial instruments are not materially different from their carrying values. 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.