

BURGAN BANK GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 2016 (UNAUDITED)

Burgan Bank Group

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2016 (Unaudited)

			<i>(Audited)</i>	
		30 June	31 December	30 June
		2016	2015	2015
	<i>Notes</i>	KD 000's	KD 000's	KD 000's
ASSETS				
Cash and cash equivalents	3	870,678	903,409	998,508
Treasury bills and bonds with CBK and others		471,999	471,800	631,590
Due from banks and other financial institutions		663,943	574,870	869,129
Loans and advances to customers		4,317,942	4,011,645	4,511,552
Investment securities		532,727	570,125	436,661
Other assets		195,191	165,533	268,315
Property and equipment		86,051	81,163	96,924
Intangible assets		43,155	46,160	165,714
TOTAL ASSETS		7,181,686	6,824,705	7,978,393
LIABILITIES AND EQUITY				
LIABILITIES				
Due to banks		723,864	886,102	893,602
Due to other financial institutions		1,104,610	816,841	788,165
Deposits from customers		4,063,770	3,874,344	4,882,614
Other borrowed funds	4	295,469	218,003	233,377
Other liabilities	5	186,759	193,092	233,185
TOTAL LIABILITIES		6,374,472	5,988,382	7,030,943
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		(4,584)	(2,292)	(670)
Share based compensation reserve		564	564	564
Foreign currency translation reserve		(66,310)	(61,557)	(30,594)
Other reserves	6	(14,695)	(7,112)	1,248
Retained earnings		112,544	122,981	105,617
Total equity attributable to the equity holders of the Bank		611,610	636,675	647,377
Perpetual Tier 1 capital securities	6	144,025	144,025	144,025
Non-controlling interests		51,579	55,623	156,048
TOTAL EQUITY		807,214	836,323	947,450
TOTAL LIABILITIES AND EQUITY		7,181,686	6,824,705	7,978,393

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 Income Statement

Period ended 30 June 2016 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2016 KD 000's	2015 KD 000's (Restated)	2016 KD 000's	2015 KD 000's (Restated)
Interest income		77,293	66,444	154,341	129,692
Interest expense		(39,702)	(25,369)	(76,153)	(50,802)
Net interest income		<u>37,591</u>	<u>41,075</u>	<u>78,188</u>	<u>78,890</u>
Fee and commission income		10,805	10,713	20,276	22,591
Fee and commission expense		(1,278)	(1,294)	(2,452)	(2,752)
Net fee and commission income		<u>9,527</u>	<u>9,419</u>	<u>17,824</u>	<u>19,839</u>
Net gain from foreign currencies		5,145	4,816	6,853	12,490
Net investment income		3,303	2,115	6,918	2,399
Dividend income		293	2,050	2,297	2,653
Other income		529	2,758	1,434	3,993
Operating income		<u>56,388</u>	<u>62,233</u>	<u>113,514</u>	<u>120,264</u>
Staff expenses		(13,370)	(13,715)	(26,697)	(26,957)
Other expenses		(13,914)	(13,520)	(27,541)	(26,516)
Operating profit before provision		<u>29,104</u>	<u>34,998</u>	<u>59,276</u>	<u>66,791</u>
Provision for impairment of loans and advances		(8,300)	(10,790)	(22,342)	(23,797)
Provision for impairment of investment securities		(227)	(57)	(2,818)	(188)
Profit for the period from continuing operations before taxation		<u>20,577</u>	<u>24,151</u>	<u>34,116</u>	<u>42,806</u>
Taxation	7	(2,306)	(3,021)	(3,798)	(5,491)
Profit for the period from continuing operations Profit after tax for the period from discontinued operations		<u>18,271</u>	<u>21,130</u>	<u>30,318</u>	<u>37,315</u>
Profit for the period		<u>18,271</u>	<u>22,856</u>	<u>30,318</u>	<u>42,805</u>
Attributable to:					
Equity holders of the Bank		17,136	19,856	31,424	37,392
Non-controlling interests		1,135	3,000	(1,106)	5,413
		<u>18,271</u>	<u>22,856</u>	<u>30,318</u>	<u>42,805</u>
		Fils	Fils	Fils	Fils
Basic and diluted earnings per share - attributable to the equity holders of the Bank	8	<u>8.5</u>	<u>9.8</u>	<u>12.8</u>	<u>15.8</u>
Basic and diluted earnings per share from continuing operations attributable to the equity holders of the Bank	8	<u>8.5</u>	<u>9.4</u>	<u>12.8</u>	<u>14.4</u>

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 June 2016 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2016	2015	2016	2015
	KD 000's	KD 000's	KD 000's	KD 000's
		(Restated)		(Restated)
Profit for the period	18,271	22,856	30,318	42,805
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	(3,643)	(1,156)	(5,079)	(5,813)
Net transfer to income statement	202	(339)	2,964	156
Foreign currency translation adjustment	(3,411)	(399)	(7,857)	(7,736)
Changes in fair value of cash flow hedges	(750)	583	(1,476)	699
Net loss on hedge of a net investment	(254)	-	(6,118)	-
Other comprehensive loss for the period	(7,856)	(1,311)	(17,566)	(12,694)
Total comprehensive income for the period	10,415	21,545	12,752	30,111
Attributable to:				
Equity holders of the Bank	9,514	17,912	16,796	20,953
Non-controlling interests	901	3,633	(4,044)	9,158
	10,415	21,545	12,752	30,111

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 Changes in Equity

Period ended 30 June 2016 (Unaudited)

	<i>Attributable to the equity holders of the Bank</i>														
	<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>Treasury shares reserve KD 000's</i>	<i>Investment revaluation reserve KD 000's</i>	<i>Share based compensation reserve KD 000's</i>	<i>Foreign currency translation 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 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	-	-	-	-	-	-	-	-	-	-	31,424	31,424	-	(1,106)	30,318
Other comprehensive (loss) for the period	-	-	-	-	-	-	(2,292)	-	(4,753)	(7,583)	-	(14,628)	-	(2,938)	(17,566)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(2,292)	-	(4,753)	(7,583)	31,424	16,796	-	(4,044)	12,752
Cash dividend paid (note 6)	-	-	-	-	-	-	-	-	-	-	(36,375)	(36,375)	-	-	(36,375)
Interest payment on Tier 1 capital securities (note 6)	-	-	-	-	-	-	-	-	-	-	(5,486)	(5,486)	-	-	(5,486)
Balance as at 30 June 2016	204,936	210,559	(12,582)	67,859	68,237	45,082	(4,584)	564	(66,310)	(14,695)	112,544	611,610	144,025	51,579	807,214
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	-	-	-	-	-	-	-	-	-	-	37,392	37,392	-	5,413	42,805
Other comprehensive (loss) income for the period	-	-	-	-	-	-	(5,582)	-	(11,551)	694	-	(16,439)	-	3,745	(12,694)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(5,582)	-	(11,551)	694	37,392	20,953	-	9,158	30,111
Bonus shares issued (note 6)	9,759	-	-	-	-	-	-	-	-	-	(9,759)	-	-	-	-
Cash dividend paid (note 6)	-	-	-	-	-	-	-	-	-	-	(28,983)	(28,983)	-	(4,131)	(33,114)
Interest payment on Tier 1 capital securities (note 6)	-	-	-	-	-	-	-	-	-	-	(5,434)	(5,434)	-	-	(5,434)
Balance as at 30 June 2015	204,936	210,559	(9,575)	59,916	60,294	45,082	(670)	564	(30,594)	1,248	105,617	647,377	144,025	156,048	947,450

*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 June 2016 (Unaudited)

	<i>Six months ended 30 June</i>	
<i>Note</i>	2016	2015
	KD 000's	KD 000's
Operating activities		
Profit for the period before taxation		
- Continuing operations	34,116	42,806
- Discontinued operations	-	8,248
	<u>34,116</u>	<u>51,054</u>
Adjustments:		
Net investment income	(6,918)	(2,442)
Provision for impairment of loans and advances	22,342	28,824
Provision for impairment of investment securities	2,818	283
Dividend income	(2,297)	(3,357)
Depreciation and amortisation	6,089	8,318
	<u>56,150</u>	<u>82,680</u>
Operating profit before changes in operating assets and liabilities	56,150	82,680
Changes in operating assets and liabilities:		
Treasury bills and bonds with CBK and others	(199)	(1,771)
Due from banks and other financial institutions	(88,170)	(179,173)
Loans and advances to customers	(329,542)	(154,047)
Other assets	(29,658)	(8,820)
Due to banks	(162,238)	92,424
Due to other financial institutions	287,769	(37,085)
Deposits from customers	189,426	174,283
Other liabilities	(4,243)	2,922
Taxation paid	(5,888)	(12,120)
	<u>(86,593)</u>	<u>(40,707)</u>
Net cash flows used in operating activities		
Investing activities		
Purchase of investment securities	(321,074)	(480,485)
Proceeds from sale of investment securities	352,863	525,967
Purchase of property and equipment, net of disposals	(9,005)	(8,334)
Dividends received	2,297	3,357
	<u>25,081</u>	<u>40,505</u>
Net cash flows from investing activities		
Financing activities		
Other borrowed funds	77,466	6,733
Cash dividends paid	(36,375)	(33,114)
Interest payment on Tier1 capital securities	(5,486)	(5,434)
	<u>35,605</u>	<u>(31,815)</u>
Net cash flows from (used in) financing activities		
Net decrease in cash and cash equivalents	(25,907)	(32,017)
Effect of foreign currency translation	(6,824)	(10,038)
Cash and cash equivalents at 1 January	903,409	1,040,563
	<u>870,678</u>	<u>998,508</u>
Cash and cash equivalents at 30 June	870,678	998,508
	3	
Additional cash flow information:		
Interest received	150,200	146,756
Interest paid	69,730	49,954

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 June 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 June 2016 were authorised for issue in accordance with a resolution of the Board of Directors on _____ 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 executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

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

3. CASH AND CASH EQUIVALENTS

	<i>30 June</i> <i>2016</i> <i>KD 000’s</i>	<i>(Audited)</i> <i>31 December</i> <i>2015</i> <i>KD 000’s</i>	<i>30 June</i> <i>2015</i> <i>KD 000’s</i>
Cash in hand and in current account with banks & other financial institutions (OFI’s)	534,026	544,353	658,465
Balances with CBK	105,273	24,510	3,710
Due from banks and OFI’s maturing within thirty days	231,379	334,546	336,333
	<u>870,678</u>	<u>903,409</u>	<u>998,508</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2016 (Unaudited)

4. OTHER BORROWED FUNDS

		<i>(Audited)</i>		
	<i>Effective interest rate</i>	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2015</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Subordinated bonds – KWD 2026 (Fixed tranche) *	6.00%	29,748	-	-
Subordinated bonds – KWD 2026 (Floating tranche capped at 7%)*	CBK + 3.95%	69,082	-	-
Subordinated notes	8.125%	-	-	117,843
Subordinated bonds – KWD 2022 (Fixed tranche)**	5.650%	35,158	40,788	40,769
Subordinated bonds – KWD 2022 (Floating tranche capped at 6.650%)**	CBK + 3.90%	37,143	57,461	58,426
Medium term borrowing	3M Libor + 1.05%	105,218	106,225	
Other borrowings – subsidiaries	11.85%-12.30%	12,841	5,104	16,339
Other borrowings – subsidiaries	0.52%-3.71%	6,279	8,425	
		<u>295,469</u>	<u>218,003</u>	<u>233,377</u>

* 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.

5. OTHER LIABILITIES

	<i>(Audited)</i>		
	<i>30 June 2016</i>	<i>31 December 2015</i>	<i>30 June 2015</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Accrued interest payable	41,308	34,885	42,454
Staff benefits	11,687	11,957	14,972
Provision for non - cash credit facilities	17,419	18,339	19,958
Clearing cheques and balances	41,193	38,128	55,053
Income received in advance	11,534	10,639	9,792
Other payable and accruals	34,741	38,054	38,804
Deferred tax liabilities	31	29	1,052
Taxation payable	4,203	11,104	7,927
Other balances	24,643	29,957	43,173
	<u>186,759</u>	<u>193,092</u>	<u>233,185</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2016 (Unaudited)

6. SHAREHOLDERS' EQUITY

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

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

b) Treasury shares

	30 June 2016	<i>(Audited)</i> 31 December 2015	30 June 2015
Number of shares held	28,496,685	28,496,685	20,571,685
Percentage of shares held	1.39%	1.39%	1.00%
Cost KD 000's	12,582	12,582	9,575
Market value - KD 000's	9,262	10,829	8,640
Weighted average market value per share (fils)	330	429	450

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>Six months period ended 30 June</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	-	(7,583)	(7,583)	-	694	694
Total comprehensive loss	-	(7,583)	(7,583)	-	694	694
Balance at 30 June	(1,553)	(13,142)	(14,695)	554	694	1,248

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.

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2016 (Unaudited)

6. SHAREHOLDERS' EQUITY (CONTINUED)

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 payment were paid during the period.

7. TAXATION

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2016	2015	2016	2015
	KD 000's	KD 000's	KD 000's	KD 000's
National Labour Support Tax	440	519	822	978
Contribution to the Kuwait Foundation for the Advancement of Science	159	187	296	352
Zakat	176	208	329	391
Taxation arising from overseas subsidiaries	1,531	2,107	2,351	3,770
	<u>2,306</u>	<u>3,021</u>	<u>3,798</u>	<u>5,491</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 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 June</i>		<i>Six months ended</i> <i>30 June</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	17,136	19,856	31,424	37,392
Less: interest payments on Tier 1 capital securities	-	-	(5,486)	(5,434)
Profit for the period attributable to equity holders of the Bank after interest payment on Tier1 capital securities	<u>17,136</u>	<u>19,856</u>	<u>25,938</u>	<u>31,958</u>
	<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 (fils)	<u>8.5</u>	<u>9.8</u>	<u>12.8</u>	<u>15.8</u>

Basic and diluted earnings per share from continuing operations:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</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	17,136	19,019	31,424	34,641
Less: interest payments on Tier 1 capital securities	-	-	(5,486)	(5,434)
Profit for the period from continuing operations attributable to equity holders of the Bank after interest payment on Tier1 capital securities	<u>17,136</u>	<u>19,019</u>	<u>25,938</u>	<u>29,207</u>
	<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 continuing operations (fils)	<u>8.5</u>	<u>9.4</u>	<u>12.8</u>	<u>14.4</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2016 (Unaudited)

8. EARNINGS PER SHARE (continued)

Basic and diluted earnings per share from discontinued operations:

	<i>Three months ended</i> <i>30 June</i>		<i>Six months ended</i> <i>30 June</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	-	837	-	2,751
	<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(fil))	-	0.4	-	1.4

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 June 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 six months period ended 30 June 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>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>
30 June 2016						
Net interest income	25,628	18,626	4,100	34,565	(4,731)	78,188
Segment operating income	33,067	21,123	14,754	49,301	(4,731)	113,514
Depreciation and amortisation	(350)	(770)	(230)	(2,767)	(1,972)	(6,089)
Segment result before provisions	29,021	12,237	12,107	13,769	(2,953)	64,181
Provision for impairment of loans and advances	(3,353)	(2,468)	27	(6,989)	441	(12,342)
Provision for impairment of investment securities	-	-	(2,231)	(587)	-	(2,818)
Segment result after provisions	25,668	9,769	9,903	6,193	(2,512)	49,021
Unallocated expenses			(4,905)	-	-	(4,905)
Unallocated provisions			(10,000)	-	-	(10,000)
Profit for the period from continuing operations before taxation			30,435	6,193	(2,512)	34,116

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 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>Total KD 000's</i>
<i>30 June 2015(Restated)</i>						
Net interest income	26,059	17,944	4,508	38,084	(7,705)	78,890
Segment operating income	33,526	20,479	22,183	56,113	(12,037)	120,264
Depreciation and amortisation	(261)	(757)	(243)	(2,589)	(1,957)	(5,807)
Segment result before provisions	29,798	11,381	19,856	23,930	(14,016)	70,949
Provision for impairment of loans and advances	(7,247)	(3,048)	(63)	(7,553)	614	(17,297)
Impairment of investment securities	-	-	(109)	(79)	-	(188)
Segment result after provisions	22,551	8,333	19,684	16,298	(13,402)	53,464
Unallocated expenses			(4,158)	-	-	(4,158)
Unallocated provisions			(6,500)	-	-	(6,500)
Profit for the period from continuing operations before taxation			39,910	16,298	(13,402)	42,806

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 2016 (Unaudited)

9. SEGMENT INFORMATION (CONTINUED)

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

	<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>
30 June 2016						
Total assets	2,030,110	1,217,002	2,065,935	2,359,969	(491,330)	7,181,686
Total liabilities	708,226	796,165	3,027,760	2,078,942	(236,621)	6,374,472
31 December 2015						
Total assets	1,808,515	1,145,607	2,064,522	2,285,656	(479,595)	6,824,705
Total liabilities	567,965	770,368	2,867,706	2,001,382	(219,039)	5,988,382
30 June 2015						
Total assets	1,772,888	1,101,747	2,235,675	3,457,876	(589,793)	7,978,393
Total liabilities	679,378	878,709	2,794,487	2,991,448	(313,079)	7,030,943

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 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 June</i>	<i>December</i>	<i>30 June</i>
	<i>Company</i>	<i>Company</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	-	15,088	211,172	226,260	296,078	198,100
Loans and advances to customers	-	19,618	964,188	983,806	876,897	788,428
Investment securities	38,905	-	132,328	171,233	172,146	97,618
Investment securities managed by a related party	-	-	59,706	59,706	61,971	64,208
Other assets	-	-	-	-	-	10,500
Due to banks	-	-	23,386	23,386	9,605	17,195
Due to other financial institutions	-	-	32,504	32,504	20,475	3,469
Deposits from customers	17,687	-	67,555	85,242	64,461	82,048
Commitments, contingent liabilities and derivatives						
Letters of credit	-	-	4,405	4,405	4,146	737
Letters of guarantee	-	-	40,997	40,997	41,359	38,175
Derivative financial instruments	-	-	38,687	38,687	38,327	37,614
Transactions						
Interest income	29	1,213	17,991	19,233	32,786	11,492
Interest expense	192	22	308	522	532	109
Fee and commission income	2	4	655	661	1,372	610
Dividend income	1,838	-	146	1,984	2,389	2,389
Other expense	-	-	1,017	1,017	1,719	792
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 June 2016 (Unaudited)

10. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	<i>No. of Board members / Group executive staff</i>	<i>30 June 2016 KD 000's</i>	<i>(Audited) 31 December 2015 KD 000's</i>	<i>30 June 2015 KD 000's</i>
Board members				
Loans and advances	6	3,863	3,777	3,596
Deposits from customers	8	1,401	974	1,126
Group executive staff				
Loans and advances	24	139	156	740
Deposits from customers	34	3,792	2,308	3,682
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 June</i>	
	<i>2016 KD 000's</i>	<i>2015 KD 000's (Restated)</i>
Short term employee benefits – including salary and bonus	3,538	2,568
Accrual for end of service indemnity	295	289
Accrual for committee services	150	150
Accrual for cost of long term incentive rights	544	423
	<u>4,527</u>	<u>3,430</u>

11. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>30 June 2016 KD 000's</i>	<i>(Audited) 31 December 2015 KD 000's</i>	<i>30 June 2015 KD 000's</i>
Acceptances	32,179	26,499	52,685
Letters of credit	220,895	261,576	351,258
Letters of guarantee	828,264	756,928	823,317
Undrawn lines of credit	661,783	345,573	360,094
Other commitments	55,414	54,862	55,132
	<u>1,798,535</u>	<u>1,445,438</u>	<u>1,642,486</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 30 June 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 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 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 June 2016 is KD 21,828 thousand (31 December 2015: KD 14,728 thousand and 30 June 2015: KD 19,550 thousand) and the negative fair value is KD 15,714 thousand (31 December 2015: KD 15,479 thousand and 30 June 2015: KD 19,674 thousand), included in the carrying amount of other assets (other liabilities).

	<i>Notional amount</i>		
	<i>(Audited)</i>		
	<i>30 June</i>	<i>31 December</i>	<i>30 June</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	1,287,466	1,000,659	1,047,716
Interest rate swaps	204,044	216,031	200,729
Options	302,362	300,915	314,912
	<u> </u>	<u> </u>	<u> </u>
Derivatives held for hedging:			
Forward swaps/ foreign exchange contracts	97,791	100,332	-
Interest rate swaps	73,307	52,666	28,767
	<u> </u>	<u> </u>	<u> </u>

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, an decrease of KD 405 thousand (30 June 2015: decrease of KD 1,154 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 June 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 June 2016				31 December 2015				30 June 2015			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000
Financial assets												
<i>Financial assets at fair value through profit or loss:</i>												
<i>Financial assets held for trading:</i>												
Equity securities	782	-	-	782	652	-	-	652	2,131	-	-	2,131
Debt securities	6,668	-	-	6,668	3,917	-	-	3,917	2,515	-	-	2,515
Derivative financial instruments:												
- Forward swaps/foreign exchange contracts	-	15,436	-	15,436	-	6,794	-	6,794	-	9,898	-	9,898
- Interest rate swaps	-	4,717	-	4,717	-	5,988	-	5,988	-	5,235	-	5,235
- Options	-	1,675	-	1,675	-	1,946	-	1,946	-	4,417	-	4,417
<i>Financial assets designated at fair value through profit or loss:</i>												
Equity securities	297	-	31,409	31,706	348	-	27,286	27,634	359	-	21,560	21,919
Managed funds	-	-	64,209	64,209	-	-	62,324	62,324	-	-	71,889	71,889
<i>Financial assets available for sale:</i>												
Equity securities	59,158	-	132,560	191,718	62,907	-	136,550	199,457	79,987	-	67,092	147,079
Debt securities	128,356	-	40,402	168,758	156,288	-	40,402	196,690	60,149	-	49,284	109,433
Financial liabilities												
<i>Financial liabilities at fair value through profit or loss:</i>												
Derivative financial instruments:												
Forward swaps/foreign exchange contracts	-	11,349	-	11,349	-	10,935	-	10,935	-	14,163	-	14,163
Interest rate swaps	-	2,766	-	2,766	-	2,700	-	2,700	-	1,236	-	1,236
Options	-	1,599	-	1,599	-	1,844	-	1,844	-	4,275	-	4,275

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.