

**BURGAN BANK GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2017 (UNAUDITED)**

## Burgan Bank Group

### Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2017 (Unaudited)

		(Audited)		
	Notes	30 September 2017 KD 000's	31 December 2016 KD 000's	30 September 2016 KD 000's
<b>ASSETS</b>				
Cash and cash equivalents	3	725,270	896,005	864,357
Treasury bills and bonds with CBK and others		460,663	479,996	455,868
Due from banks and other financial institutions		476,834	751,412	678,570
Loans and advances to customers		4,502,015	4,276,086	4,254,328
Investment securities		566,402	554,335	541,782
Other assets		196,303	180,411	176,152
Property and equipment		100,590	89,497	86,368
Intangible assets		38,017	41,134	42,202
<b>TOTAL ASSETS</b>		<b>7,066,094</b>	<b>7,268,876</b>	<b>7,099,627</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		641,326	824,676	646,188
Due to other financial institutions		953,488	1,208,419	1,148,414
Deposits from customers		3,974,181	3,737,259	3,857,595
Other borrowed funds	4	399,237	437,994	437,158
Other liabilities	5	219,057	214,972	189,060
<b>TOTAL LIABILITIES</b>		<b>6,187,289</b>	<b>6,423,320</b>	<b>6,278,415</b>
<b>EQUITY</b>				
Share capital	6	215,183	204,936	204,936
Share premium		210,559	210,559	210,559
Treasury shares	6	(2,817)	(12,582)	(12,582)
Statutory reserve		74,997	74,997	67,859
Voluntary reserve		75,375	75,375	68,237
Treasury shares reserve		43,309	45,082	45,082
Investment revaluation reserve		3,609	2,732	(537)
Share based compensation reserve		564	564	564
Foreign currency translation reserve		(88,569)	(83,782)	(70,372)
Other reserves	6	(3,592)	2,670	(13,092)
Retained earnings		152,070	129,556	124,266
Total equity attributable to the equity holders of the Bank		680,688	650,107	624,920
Perpetual Tier 1 capital securities	6	144,025	144,025	144,025
Non-controlling interests		54,092	51,424	52,267
<b>TOTAL EQUITY</b>		<b>878,805</b>	<b>845,556</b>	<b>821,212</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,066,094</b>	<b>7,268,876</b>	<b>7,099,627</b>

**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 2017 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
<i>Notes</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Interest income	85,718	79,334	249,464	233,675
Interest expense	(42,758)	(39,750)	(123,431)	(115,903)
<b>Net interest income</b>	<b>42,960</b>	<b>39,584</b>	<b>126,033</b>	<b>117,772</b>
Fee and commission income	10,954	9,866	32,769	30,142
Fee and commission expense	(1,436)	(1,386)	(4,454)	(3,838)
<b>Net fee and commission income</b>	<b>9,518</b>	<b>8,480</b>	<b>28,315</b>	<b>26,304</b>
Net gain from foreign currencies	1,755	2,798	6,498	9,651
Net investment income	2,048	3,381	7,674	10,299
Dividend income	137	30	2,424	2,327
Other income	227	1,319	8,393	2,753
<b>Operating income</b>	<b>56,645</b>	<b>55,592</b>	<b>179,337</b>	<b>169,106</b>
Staff expenses	(12,305)	(13,297)	(37,223)	(39,994)
Other expenses	(14,161)	(13,201)	(40,363)	(40,742)
<b>Operating profit before provision</b>	<b>30,179</b>	<b>29,094</b>	<b>101,751</b>	<b>88,370</b>
Provision for loans and advances	(11,702)	(8,562)	(27,330)	(30,904)
Provision for investment securities	(8)	(80)	(8,616)	(2,898)
<b>Profit before taxation</b>	<b>18,469</b>	<b>20,452</b>	<b>65,805</b>	<b>54,568</b>
Taxation	(2,698)	(2,682)	(8,474)	(6,480)
<b>Profit for the period</b>	<b>15,771</b>	<b>17,770</b>	<b>57,331</b>	<b>48,088</b>
<b>Attributable to:</b>				
Equity holders of the Bank	15,030	17,188	53,905	48,612
Non-controlling interests	741	582	3,426	(524)
	<b>15,771</b>	<b>17,770</b>	<b>57,331</b>	<b>48,088</b>
<b>Basic and diluted earnings per share - attributable to the equity holders of the Bank (Fils)</b>	<b>4.5</b>	<b>5.5</b>	<b>20.1</b>	<b>17.7</b>

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 2017 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Profit for the period</b>	<b>15,771</b>	17,770	<b>57,331</b>	48,088
<b>Other comprehensive (loss) income:</b>				
<i>Items that are or may be reclassified to interim condensed consolidated statement of income in subsequent periods:</i>				
Financial assets available for sale:				
Change in fair value, net of provisions	3,497	4,866	2,477	(213)
Net transfer to interim condensed consolidated statement of income	(161)	(617)	(1,466)	2,347
Foreign currency translation adjustment	(5,907)	(3,938)	(5,247)	(11,795)
Changes in fair value of cash flow hedges	168	(15)	(258)	(1,491)
Net loss (gain) on hedge of a net investment	(1,116)	1,618	(6,006)	(4,500)
<b>Other comprehensive (loss) income for the period</b>	<b>(3,519)</b>	1,914	<b>(10,500)</b>	(15,652)
<b>Total comprehensive income for the period</b>	<b>12,252</b>	19,684	<b>46,831</b>	32,436
<b>Attributable to:</b>				
Equity holders of the Bank	12,002	18,776	43,733	35,572
Non-controlling interests	250	908	3,098	(3,136)
	<b>12,252</b>	19,684	<b>46,831</b>	32,436

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 Shareholder's Equity Period ended 30 September 2017 (Unaudited)

	Attributable to the equity holders of the Bank											Total KD 000's	Perpetual Tier 1 capital securities KD 000's	Non controlling interests KD 000's	Total equity KD 000's
	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	Investment revaluation 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				
Balance as at 1 January 2017	204,936	210,559	(12,582)	74,997	75,375	45,082	2,732	564	(83,782)	2,670	129,556	650,107	144,025	51,424	845,556
Profit for the period	-	-	-	-	-	-	-	-	-	-	53,905	53,905	-	3,426	57,331
Other comprehensive income (loss) for the period	-	-	-	-	-	-	877	-	(4,787)	(6,262)	-	(10,172)	-	(328)	(10,500)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	877	-	(4,787)	(6,262)	53,905	43,733	-	3,098	46,831
Bonus shares issued (note 6)	10,247	-	-	-	-	-	-	-	-	-	(10,247)	-	-	-	-
Cash dividend (note 6)	-	-	-	-	-	-	-	-	-	-	(10,141)	(10,141)	-	(430)	(10,571)
Sale of treasury shares	-	-	9,765	-	-	(1,773)	-	-	-	-	-	7,992	-	-	7,992
Interest payment on Tier 1 capital securities (note 6)	-	-	-	-	-	-	-	-	-	-	(11,003)	(11,003)	-	-	(11,003)
<b>Balance as at 30 September 2017</b>	<b>215,183</b>	<b>210,559</b>	<b>(2,817)</b>	<b>74,997</b>	<b>75,375</b>	<b>43,309</b>	<b>3,609</b>	<b>564</b>	<b>(88,569)</b>	<b>(3,592)</b>	<b>152,070</b>	<b>680,688</b>	<b>144,025</b>	<b>54,092</b>	<b>878,805</b>
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)
<b>Balance as at 30 September 2016</b>	<b>204,936</b>	<b>210,559</b>	<b>(12,582)</b>	<b>67,859</b>	<b>68,237</b>	<b>45,082</b>	<b>(537)</b>	<b>564</b>	<b>(70,372)</b>	<b>(13,092)</b>	<b>124,266</b>	<b>624,920</b>	<b>144,025</b>	<b>52,267</b>	<b>821,212</b>

\*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 2017 (Unaudited)

	Note	Nine months ended 30 September	
		2017 KD 000's	2016 KD 000's
<b>Operating activities</b>			
Profit for the period before taxation		65,805	54,568
Adjustments:			
Net investment income		(7,674)	(10,299)
Provision for loans and advances		27,330	30,904
Provision for investment securities		8,616	2,898
Dividend income		(2,424)	(2,327)
Depreciation and amortisation		9,218	9,320
Other income	13	(6,260)	-
<b>Operating profit before changes in operating assets and liabilities</b>		<b>94,611</b>	<b>85,064</b>
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		19,333	15,932
Due from banks and other financial institutions		274,827	(102,925)
Loans and advances to customers		(253,508)	(274,362)
Other assets		(15,892)	(10,619)
Due to banks		(183,350)	(239,914)
Due to other financial institutions		(254,931)	331,573
Deposits from customers		236,922	(16,749)
Other liabilities		2,396	(3,409)
Taxation paid		(6,785)	(7,103)
Net cash used in operating activities		<b>(86,377)</b>	<b>(222,512)</b>
<b>Investing activities</b>			
Purchase of investment securities		(895,827)	(363,753)
Proceeds from sale of investment securities		883,825	395,640
Purchase of property and equipment, net of disposals		(17,350)	(11,568)
Dividends received		2,424	2,327
Net cash (used in) from investing activities		<b>(26,928)</b>	<b>22,646</b>
<b>Financing activities</b>			
Other borrowed funds		(38,757)	219,155
Sale of treasury shares		7,992	-
Cash dividend paid to equity holders of the Bank		(10,141)	(36,375)
Cash dividend paid to non-controlling interest		(430)	(220)
Interest payment on Tier1 capital securities		(11,003)	(10,952)
Net cash (used in) from financing activities		<b>(52,339)</b>	<b>171,608</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(165,644)</b>	<b>(28,258)</b>
Effect of foreign currency translation		(5,091)	(10,794)
Cash and cash equivalents at 1 January		896,005	903,409
<b>Cash and cash equivalents at 30 September</b>	3	<b>725,270</b>	<b>864,357</b>
<b>Additional cash flow information:</b>			
Interest received		235,009	227,810
Interest paid		127,343	101,910

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 2017 (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 2017 were authorised for issue in accordance with a resolution of the Board of Directors on \_\_\_\_\_ 2017.

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 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 2016 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 2016.

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 2016. Further, results for the nine months period ended 30 September 2017, are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

### 3. CASH AND CASH EQUIVALENTS

	<i>30 September</i> <i>2017</i> <i>KD 000’s</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD 000’s</i>	<i>30 September</i> <i>2016</i> <i>KD 000’s</i>
Cash in hand and in current account with banks & other financial institutions (OFI’s)	<b>429,641</b>	551,173	489,378
Balances with CBK	<b>72,229</b>	127,913	91,526
Due from banks and OFI’s maturing within thirty days	<b>223,400</b>	216,919	283,453
	<b><u>725,270</u></b>	<u>896,005</u>	<u>864,357</u>

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (Unaudited)

#### 4. OTHER BORROWED FUNDS

	<i>Effective interest rate</i>	<i>30 September 2017 KD 000's</i>	<i>(Audited) 31 December 2016 KD 000's</i>	<i>30 September 2016 KD 000's</i>
Subordinated bonds – KWD 2026 (Fixed tranche)	6.00%	29,796	29,769	29,757
Subordinated bonds – KWD 2026 (Floating tranche capped at 7%)	CBK + 3.95%	69,194	69,131	69,103
Subordinated bonds – KWD 2022 (Fixed tranche)	5.650%	35,201	35,167	35,167
Subordinated bonds – KWD 2022 (Floating tranche capped at 6.65%)	CBK+3.9%	37,189	37,154	37,154
Medium term borrowing	3M Libor + 1.05%	75,490	106,850	105,144
Euro Medium Term Note	3.125%	149,971	151,709	149,629
Other borrowings – subsidiaries	11.85%-13.04%	-	4,260	4,923
Other borrowings – subsidiaries	.07%-3.17%	2,396	3,954	6,281
		<u>399,237</u>	<u>437,994</u>	<u>437,158</u>

#### 5. OTHER LIABILITIES

	<i>30 September 2017 KD 000's</i>	<i>(Audited) 31 December 2016 KD 000's</i>	<i>30 September 2016 KD 000's</i>
Accrued interest payable	57,092	61,004	48,878
Staff benefits	11,861	12,101	11,855
Provision for non - cash credit facilities	16,359	17,406	17,620
Clearing cheques and balances	49,048	37,147	38,500
Income received in advance	13,606	11,885	12,600
Other payable and accruals	29,235	29,602	31,756
Deferred tax liabilities	384	35	31
Taxation payable	11,219	11,632	5,828
Other balances	30,253	34,160	21,992
	<u>219,057</u>	<u>214,972</u>	<u>189,060</u>

#### 6. SHAREHOLDERS' EQUITY

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

	<i>30 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 September 2016</i>
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>2,151,827,115</u>	<u>2,049,359,158</u>	<u>2,049,359,158</u>

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information As at 30 September 2017 (Unaudited)

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

##### b) Treasury shares

	<i>30 September 2017</i>	<i>(Audited) 31 December 2016</i>	<i>30 September 2016</i>
Number of shares held	<u>6,700,953</u>	<u>28,496,685</u>	<u>28,496,685</u>
Percentage of shares held	<u>0.31%</u>	<u>1.39%</u>	<u>1.39%</u>
Cost KD 000's	<u>2,817</u>	<u>12,582</u>	<u>12,582</u>
Market value - KD 000's	<u>2,345</u>	<u>8,692</u>	<u>9,262</u>
Weighted average market value per share (fils)	<u>336</u>	<u>321</u>	<u>329</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 share premium, statutory reserve, voluntary reserve and retained earnings throughout the holding period of these treasury shares.

##### c) Other reserves

	<i>Nine months period ended 30 September 2017</i>			
	<i>Hedge of net investment in foreign operations KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Changes in ownership in subsidiaries KD 000's</i>	<i>Total KD 000's</i>
Balance at 1 January	1,762	2,461	(1,553)	2,670
Changes in fair value of cash flow hedge reserve	-	(256)	-	(256)
Net loss on hedge of a net investment	<u>(6,006)</u>	<u>-</u>	<u>-</u>	<u>(6,006)</u>
Total comprehensive loss	<u>(6,006)</u>	<u>(256)</u>	<u>-</u>	<u>(6,262)</u>
<b>Balance at 30 September 2017</b>	<u><b>(4,244)</b></u>	<u><b>2,205</b></u>	<u><b>(1,553)</b></u>	<u><b>(3,592)</b></u>

	<i>Nine months period ended 30 September 2016</i>			
	<i>Hedge of net investment in foreign operations KD 000's</i>	<i>Cash flow hedge reserve KD 000's</i>	<i>Changes in ownership in subsidiaries KD 000's</i>	<i>Total KD 000's</i>
Balance at 1 January	(6,710)	1,151	(1,553)	(7,112)
Changes in fair value of cash flow hedge reserve	-	(1,480)	-	(1,480)
Net loss on hedge of a net investment	<u>(4,500)</u>	<u>-</u>	<u>-</u>	<u>(4,500)</u>
Total comprehensive loss	<u>(4,500)</u>	<u>(1,480)</u>	<u>-</u>	<u>(5,980)</u>
Balance at 30 September 2016	<u>(11,210)</u>	<u>(329)</u>	<u>(1,553)</u>	<u>(13,092)</u>

##### d) Dividends and bonus shares

On 29 March 2017, the annual general assembly approved the distribution of cash dividend of 5 fils per share (2015: 18 fils) and stock dividend of 5% (2015: Nil) for the year ended 31 December 2016.

The cash dividend were paid during the period.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (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 was 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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</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	<b>395</b>	449	<b>1,416</b>	1,271
Contribution to the Kuwait Foundation for the Advancement of Science	<b>143</b>	162	<b>510</b>	458
Zakat	<b>158</b>	180	<b>566</b>	509
Taxation arising from overseas subsidiaries	<b>2,002</b>	1,891	<b>5,982</b>	4,242
	<b><u>2,698</u></b>	<u>2,682</u>	<b><u>8,474</u></b>	<u>6,480</u>

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (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 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2017 KD 000's</i>	<i>2016 KD 000's (Restated)</i>	<i>2017 KD 000's</i>	<i>2016 KD 000's (Restated)</i>
Profit for the period attributable to equity holders of the Bank	<b>15,030</b>	17,188	<b>53,905</b>	48,612
Less: interest payments on Tier 1 capital securities	<b>(5,477)</b>	(5,466)	<b>(11,003)</b>	(10,952)
Profit for the period attributable to equity holders of the Bank after interest payment on Tier 1 capital securities	<b>9,553</b>	11,722	<b>42,902</b>	37,660
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	<b>2,134,444,634</b>	2,122,273,443	<b>2,129,708,663</b>	2,122,273,443
Basic and diluted earnings per share (fils)	<b>4.5</b>	5.5	<b>20.1</b>	17.7

Basic and diluted earnings per share for the comparative period presented has been restated to reflect the effect of stock dividend (note 6).

#### 9. SEGMENT INFORMATION

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

- Corporate banking: provides comprehensive product and services to corporate customers and financial institutions including lending, deposits, trade services, foreign exchange, advisory services and others.
- 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 2017 (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 2017:

	<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>Total KD 000's</i>
<b>30 September 2017</b>							
Net interest income	33,427	24,743	21,963	80,133	54,117	(8,217)	126,033
Segment operating income	50,632	29,668	33,273	113,573	78,856	(13,092)	179,337
Depreciation and amortisation	(644)	(1,275)	(383)	(2,302)	(3,955)	(2,961)	(9,218)
Segment result before provisions	43,234	15,010	28,867	87,111	33,757	(13,049)	107,819
Provision for loans and advances	(1,519)	(2,911)	(659)	(5,089)	(9,893)	652	(14,330)
Provision for investment securities	-	-	(8,553)	(8,553)	(63)	-	(8,616)
Segment result after provisions	41,715	12,099	19,655	73,469	23,801	(12,397)	84,873
Unallocated expenses				(6,068)	-	-	(6,068)
Unallocated provisions				(13,000)	-	-	(13,000)
Profit for the period before taxation				54,401	23,801	(12,397)	65,805

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (Unaudited)

#### 9. SEGMENT INFORMATION (continued)

	<i>Kuwait Operations</i>			<i>International Operations</i>	<i>Unallocated Intragroup Transactions</i>	<i>Group</i>	
	<i>Corporate banking KD 000's</i>	<i>Retail and Private banking KD 000's</i>	<i>Treasury and investment banking KD 000's</i>				<i>Total KD 000's</i>
<i>30 September 2016</i>							
Net interest income	30,985	27,231	14,198	72,414	52,712	(7,354)	117,772
Segment operating income	42,588	30,741	30,856	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	36,398	17,560	26,755	80,713	23,554	(8,536)	95,731
Provision for loans and advances	(6,552)	(3,409)	(168)	(10,129)	(9,194)	3,419	(15,904)
Provision for investment securities	-	-	(2,308)	(2,308)	(590)	-	(2,898)
Segment result after provisions	29,846	14,151	24,279	68,276	13,770	(5,117)	76,929
Unallocated expenses				(7,361)	-	-	(7,361)
Unallocated provisions				(15,000)	-	-	(15,000)
Profit for the period 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 2017 (Unaudited)

#### 9. SEGMENT INFORMATION (continued)

The table below presents assets and liabilities information regarding the Group's operating segments as at 30 September 2017, 31 December 2016 and 30 September 2016 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>Total KD 000's</i>
<b>30 September 2017</b>							
Total assets	1,935,506	1,192,359	2,100,121	5,227,986	2,450,765	(612,657)	7,066,094
Total liabilities	776,335	832,468	2,770,691	4,379,494	2,164,899	(357,104)	6,187,289
<b>31 December 2016</b>							
Total assets	2,068,362	1,220,105	2,141,708	5,430,175	2,365,998	(527,297)	7,268,876
Total liabilities	732,642	789,762	3,082,389	4,604,793	2,089,316	(270,789)	6,423,320
<b>30 September 2016</b>							
Total assets	2,007,722	1,200,661	2,159,330	5,367,713	2,238,214	(506,300)	7,099,627
Total liabilities	733,269	809,442	3,031,660	4,574,371	1,957,686	(253,642)	6,278,415

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (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>31</i>	<i>30</i>	
	<i>Parent</i>			<i>30 September</i>	<i>December</i>	<i>September</i>
	<i>Company</i>	<i>Associates</i>	<i>Others</i>	<i>2017</i>	<i>2016</i>	<i>2016</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>
<b>Assets</b>						
Due from banks and OFIs	-	52,272	258,120	310,392	270,085	242,628
Loans and advances to customers	-	-	981,429	981,429	983,563	979,504
Investment securities	27,223	-	144,085	171,308	179,607	178,656
Investment securities managed by a related party	-	-	52,176	52,176	58,106	58,292
	<u>27,223</u>	<u>52,272</u>	<u>1,435,810</u>	<u>1,515,305</u>	<u>1,491,361</u>	<u>1,459,080</u>
<b>Liabilities</b>						
Due to banks	-	4	7,361	7,365	7,718	42,821
Due to other financial institutions	-	-	26,678	26,678	44,354	36,145
Deposits from customers	9,478	-	38,821	48,299	57,598	66,673
	<u>9,478</u>	<u>4</u>	<u>72,860</u>	<u>82,342</u>	<u>109,670</u>	<u>145,639</u>
<b>Commitments, contingent liabilities and derivatives</b>						
Letters of credit	-	-	5,989	5,989	6,010	4,850
Letters of guarantee	-	-	62,885	62,885	58,233	44,484
Derivative financial instruments	-	-	42,108	42,108	39,880	38,949
	<u>-</u>	<u>-</u>	<u>110,982</u>	<u>110,982</u>	<u>104,123</u>	<u>88,283</u>
<b>Transactions</b>						
Interest income	25	1,547	34,975	36,547	41,912	30,191
Interest expense	243	-	768	1,011	1,263	917
Fee and commission income	2	-	1,351	1,353	1,106	739
Dividend income	1,837	-	148	1,985	1,984	1,984
Other expense	-	-	1,780	1,780	2,074	1,451

As of period ended 30 September 2017, total collateral held against exposures due from related parties amounted to KD 785,784 thousand (31 December 2016: KD 898,191 thousand, 30 September 2016: KD 694,039 thousand).

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (Unaudited)

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

	<i>No. of Board members / Group executive staff</i>	<i>(Audited)</i>		
		<i>30 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2016</i>
		<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Board members</b>				
Loans and advances	3	3,133	3,926	3,930
Deposits from customers	8	820	1,390	1,121
<b>Group executive staff</b>				
Loans and advances	24	217	174	200
Deposits from customers	36	2,826	2,154	2,317
Letters of guarantee	2	1	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>2017</i>	<i>2016</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short term employee benefits – including salary and bonus	4,115	4,976
Accrual for end of service indemnity	410	343
Accrual for cost of long term incentive rights	680	225
Accrual for committee services	225	544
	<u>5,430</u>	<u>6,088</u>

#### 11. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>30 September 2017</i>	<i>31 December 2016</i>	<i>30 September 2016</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Acceptances	35,718	43,837	39,114
Letters of credit	227,194	216,091	193,662
Letters of guarantee	869,589	918,874	880,870
Undrawn lines of credit	655,070	632,928	635,573
Other commitments	60,928	52,482	55,539
	<u>1,848,499</u>	<u>1,864,212</u>	<u>1,804,758</u>

#### 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.

## Burgan Bank Group

### Notes to the Interim Condensed Consolidated Financial Information

As at 30 September 2017 (Unaudited)

#### 12. DERIVATIVES (continued)

##### 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 interim condensed consolidated statement of income 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 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 30 September 2017 is KD 38,651 thousand (31 December 2016: KD 31,607 thousand and 30 September 2016: KD 20,996 thousand) and the negative fair value is KD 12,307 thousand (31 December 2016: KD 28,097 thousand and 30 September 2016: KD 13,924 thousand), included in the carrying amount of other assets and other liabilities respectively.

The notional amounts of derivatives are as follows:

	<i>30 September</i> <i>2017</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2016</i> <i>KD 000's</i>	<i>30 September</i> <i>2016</i> <i>KD 000's</i>
<b>Derivatives held for trading:</b> <b><i>(non-qualifying hedges)</i></b>			
Forward swaps / foreign exchange contracts	<b>859,838</b>	962,282	1,183,141
Interest rate swaps	<b>287,593</b>	272,363	218,071
Options	<b>381,485</b>	290,331	480,728
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
<b>Derivatives held for hedging:</b>			
Forward swaps/ foreign exchange contracts	<b>90,722</b>	88,559	100,404
Interest rate swaps	<b>190,697</b>	123,992	97,258
	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

## **Burgan Bank Group**

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

**As at 30 September 2017 (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.

Movement in level 3 is mainly on account of investment security acquired against recovery of debt previously written off, recorded as other income and change in fair value. During the period, a decrease of KD 859 thousand (30 September 2016: decrease of KD 431 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 2017 (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 2017				31 December 2016				30 September 2016			
	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>												
<b>Financial assets at fair value through profit or loss:</b>												
<i>Financial assets held for trading:</i>												
Equity securities	479	-	-	479	571	-	-	571	724	-	-	724
Debt securities	2,639	-	-	2,639	2,739	-	-	2,739	6,321	-	-	6,321
Derivative financial instruments:												
- Forward swaps/foreign exchange contracts	-	13,833	-	13,833	-	11,120	-	11,120	-	12,232	-	12,232
- Interest rate swaps	-	20,668	-	20,668	-	18,728	-	18,728	-	6,309	-	6,309
- Options	-	4,150	-	4,150	-	1,759	-	1,759	-	2,455	-	2,455
<i>Financial assets designated at fair value through profit or loss:</i>												
Equity securities	296	-	34,440	34,736	320	-	35,173	35,493	307	-	33,905	34,212
Managed funds	-	-	54,782	54,782	-	-	62,639	62,639	-	-	62,639	62,639
<b>Financial assets available for sale:</b>												
Equity securities	45,856	-	149,401	195,257	57,984	-	142,306	200,290	62,934	-	132,301	195,235
Debt securities	135,050	-	47,000	182,050	117,172	-	49,903	167,075	129,525	-	40,400	169,925
<b>Financial liabilities</b>												
<b>Financial liabilities at fair value through profit or loss:</b>												
Derivative financial instruments:												
- Forward swaps/foreign exchange contracts	-	3,728	-	3,728	-	22,799	-	22,799	-	8,195	-	8,195
- Interest rate swaps	-	5,367	-	5,367	-	3,652	-	3,652	-	3,360	-	3,360
- Options	-	3,212	-	3,212	-	1,646	-	1,646	-	2,369	-	2,369

## **Burgan Bank Group**

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

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**As at 30 September 2017 (Unaudited)**

#### **13. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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.