

**BURGAN BANK GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**30 SEPTEMBER 2010 (UNAUDITED)**



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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF BURGAN BANK S.A.K.**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Burgan Bank S.A.K. (the "Bank") and its subsidiaries (collectively the "Group") as at 30 September 2010 and the related interim condensed consolidated statements of income and comprehensive income for the three month and nine month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the nine month period then ended. The management of the Bank is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with the basis of presentation set out in Note 2. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with the basis of presentation set out in Note 2.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Bank. We further report that, to the best of our knowledge and belief, we are not aware of any material violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Bank during the nine month period ended 30 September 2010 that might have had a material effect on the business of the Bank or on its financial position.

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

We further report that, during the course of our review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organisation of banking business, and its related regulations, during the nine month period ended 30 September 2010.



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LICENCE NO. 68 A  
OF ERNST & YOUNG



JASSIM AHMAD AL -FAHAD  
LICENCE NO. 53 A  
DELOITTE  
AL -FAHAD, AL WAZZAN & CO.

18 October 2010  
Kuwait

# Burgan Bank Group

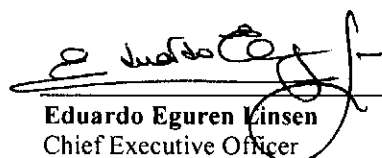
## Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2010 (Unaudited)

		30 September 2010	(Audited) 31 December 2009	30 September 2009
	Notes	KD 000's	KD 000's (Restated)	KD 000's (Restated)
<b>ASSETS</b>				
Cash and cash equivalents	3	718,818	602,088	544,842
Treasury bills and bonds with CBK and others		418,107	417,049	383,054
Due from banks and other financial institutions		457,842	407,427	408,884
Loans and advances to customers		2,123,888	2,246,949	2,276,063
Investment securities	4	135,995	140,952	115,687
Investment in an associate	5	-	15,434	15,280
Other assets		93,424	79,523	77,882
Property and equipment		45,352	36,664	34,907
Intangible assets	5 & 6	182,107	155,685	155,425
<b>TOTAL ASSETS</b>		<b>4,175,533</b>	<b>4,101,771</b>	<b>4,012,024</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		356,525	276,438	288,203
Due to other financial institutions		505,723	701,366	674,392
Deposits from customers		2,570,763	2,424,981	2,349,019
Other borrowed funds	7	111,791	123,022	123,351
Other liabilities	8	99,757	139,903	143,874
<b>TOTAL LIABILITIES</b>		<b>3,644,559</b>	<b>3,665,710</b>	<b>3,578,839</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	9	140,133	104,133	104,133
Share premium	9	129,559	64,759	64,759
Treasury shares	9	(16,401)	(18,290)	(18,294)
Statutory reserve		39,872	39,872	39,216
Voluntary reserve		40,250	40,250	39,594
Treasury shares reserve		36,840	37,296	37,295
Investments revaluation reserve		8,975	12,447	11,331
Share based compensation reserve		276	538	537
Foreign currency translation reserve		6,069	10,675	9,385
Other reserves		4,739	-	-
Retained earnings		30,767	33,795	42,400
Equity attributable to the equity holders of the Bank		421,079	325,475	330,356
Non controlling interests		109,895	110,586	102,829
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>530,974</b>	<b>436,061</b>	<b>433,185</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,175,533</b>	<b>4,101,771</b>	<b>4,012,024</b>

  
Khalid Al Zouman  
Chief Financial Officer

  
Majed Essa Al Ajeel  
Chairman

  
Eduardo Eguren Linsen  
Chief Executive Officer

The attached notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

# Burgan Bank Group

## Interim Condensed Consolidated Income Statement

Period ended 30 September 2010 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2010 KD 000's	2009 KD 000's (Restated)	2010 KD 000's	2009 KD 000's (Restated)
Interest income		42,899	46,723	127,768	154,124
Interest expense		(15,160)	(20,792)	(49,978)	(79,590)
<b>Net interest income</b>		<b>27,739</b>	<b>25,931</b>	<b>77,790</b>	<b>74,534</b>
Fee and commission income		8,577	7,838	25,030	23,727
Fee and commission expense		(137)	(637)	(1,109)	(1,356)
<b>Net fee and commission income</b>		<b>8,440</b>	<b>7,201</b>	<b>23,921</b>	<b>22,371</b>
Net gain from foreign currencies		2,148	955	5,485	3,984
Net investment income	10	205	1,176	10,367	4,144
Share of result from an associate		-	376	-	632
Dividend income		197	21	1,748	951
Other income		1,249	1,725	3,308	9,178
<b>Operating income</b>		<b>39,978</b>	<b>37,385</b>	<b>122,619</b>	<b>115,794</b>
Staff expenses		(6,458)	(4,555)	(19,058)	(15,474)
Other expenses		(7,818)	(6,009)	(23,979)	(17,608)
<b>Operating profit before provision</b>		<b>25,702</b>	<b>26,821</b>	<b>79,582</b>	<b>82,712</b>
Provision for impairment of loans and advances		(14,907)	(22,412)	(66,018)	(50,205)
Write back of (provision for) impairment of investment securities		43	228	760	(2,304)
<b>Profit before taxation</b>		<b>10,838</b>	<b>4,637</b>	<b>14,324</b>	<b>30,203</b>
Taxation	11	(3,244)	115	(8,994)	(4,554)
<b>Profit for the period</b>		<b>7,594</b>	<b>4,752</b>	<b>5,330</b>	<b>25,649</b>
<b>Attributable to:</b>					
Equity holders of the Bank		3,828	1,756	(3,028)	13,504
Non controlling interests		3,766	2,996	8,358	12,145
		<b>7,594</b>	<b>4,752</b>	<b>5,330</b>	<b>25,649</b>
		<b>Fils</b>	<b>Fils</b>	<b>Fils</b>	<b>Fils</b>
<b>Basic and diluted earnings (loss) per share - attributable to the equity holders of the Bank</b>	12	<b>2.8</b>	<b>1.6</b>	<b>(2.4)</b>	<b>12.5</b>

The attached notes 1 to 16 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 2010 (Unaudited)

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
		<i>(Restated)</i>		<i>(Restated)</i>
<b>Profit for the period</b>	<b>7,594</b>	<b>4,752</b>	<b>5,330</b>	<b>25,649</b>
<b>Other comprehensive (loss) income</b>				
Financial assets available for sale:				
Net fair value gain	4,139	1,997	1,007	5,964
Net transfer to income statement	(2,749)	(3,206)	(4,108)	(1,006)
Foreign currency translation adjustment	(8,225)	(1,432)	(6,572)	7,263
<b>Other comprehensive (loss) income for the period</b>	<b>(6,835)</b>	<b>(2,641)</b>	<b>(9,673)</b>	<b>12,221</b>
<b>Total comprehensive income (loss) for the period</b>	<b>759</b>	<b>2,111</b>	<b>(4,343)</b>	<b>37,870</b>
<b>Attributable to:</b>				
Equity holders of the Bank	(504)	(234)	(11,106)	21,713
Non controlling interests	1,263	2,345	6,763	16,157
	<b>759</b>	<b>2,111</b>	<b>(4,343)</b>	<b>37,870</b>

The attached notes 1 to 16 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 September 2010 (Unaudited)

	Attributable to the equity holders of the Bank										(Restated) 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	Total KD 000's
Balance at 31 December 2009 (as previously reported)	104,133	64,759	(18,290)	39,872	40,250	37,296	12,447	538	10,675	-	33,795	325,475	102,799	428,274
Effect of purchase price allocation of AGB (note 6)	-	-	-	-	-	-	-	-	-	-	-	-	7,787	7,787
Balance at 31 December 2009 (restated)	104,133	64,759	(18,290)	39,872	40,250	37,296	12,447	538	10,675	-	33,795	325,475	110,586	436,061
(Loss) profit for the period	-	-	-	-	-	-	-	-	-	-	(3,028)	(3,028)	8,358	5,330
Other comprehensive loss	-	-	-	-	-	-	(3,472)	-	(4,606)	-	-	(8,078)	(1,595)	(9,673)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(3,472)	-	(4,606)	-	(3,028)	(11,106)	6,763	(4,343)
Share capital increase (note 9)	36,000	64,800	-	-	-	-	-	-	-	-	-	100,800	-	100,800
Cash dividend paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(3,953)	(3,953)
Purchase of non controlling interests (note 5)	-	-	-	-	-	-	-	-	-	-	-	4,739	(19,182)	(14,443)
Sale of treasury shares	-	-	1,889	-	-	(729)	-	11	-	-	-	1,171	-	1,171
Transfer from share based compensation reserve	-	-	-	-	-	273	-	(273)	-	-	-	-	-	-
Acquisition of subsidiaries (note 5)	-	-	-	-	-	-	-	-	-	-	-	-	15,786	15,786
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(105)	(105)
<b>Balance as at 30 September 2010</b>	<b>140,133</b>	<b>129,559</b>	<b>(16,401)</b>	<b>39,872</b>	<b>40,250</b>	<b>36,840</b>	<b>8,975</b>	<b>276</b>	<b>6,069</b>	<b>4,739</b>	<b>30,767</b>	<b>421,079</b>	<b>109,895</b>	<b>530,974</b>

The attached notes 1 to 16 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 September 2010 (Unaudited)**

	Attributable to the equity holders of the Bank										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	Total KD 000's	Non controlling interests KD 000's
Balance at 31 December 2008 (as previously reported)	94,666	64,759	(16,589)	39,216	39,594	37,286	7,481	484	5,123	-	39,079	311,099	45,180	356,279
Effect of purchase price allocation of JKB (note 5)	-	-	-	-	-	-	-	-	(97)	-	(716)	(813)	30,335	29,522
Balance at 31 December 2008 (restated)	94,666	64,759	(16,589)	39,216	39,594	37,286	7,481	484	5,026	-	38,363	310,286	75,515	385,801
Profit for the period	-	-	-	-	-	-	-	-	-	-	13,504	13,504	12,145	25,649
Other comprehensive income	-	-	-	-	-	-	3,850	-	4,359	-	-	8,209	4,012	12,221
Total comprehensive income	-	-	-	-	-	-	3,850	-	4,359	-	13,504	21,713	16,157	37,870
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(3,333)	(3,333)
Bonus shares issued	9,467	-	-	-	-	-	-	-	-	-	(9,467)	-	-	-
Purchase of treasury shares	-	-	(1,758)	-	-	-	-	-	-	-	-	(1,758)	-	(1,758)
Sale of treasury shares	-	-	53	-	-	9	-	-	-	-	-	62	-	62
Share based compensation expense	-	-	-	-	-	-	-	53	-	-	-	53	-	53
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	14,236	14,236
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	254	254
Balance as at 30 September 2009	104,133	64,759	(18,294)	39,216	39,594	37,295	11,331	537	9,385	-	42,400	330,356	102,829	433,185

The attached notes 1 to 16 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 2010 (Unaudited)

	Notes	Nine months ended 30 September	
		2010 KD 000's	2009 KD 000's (Restated)
<b>Operating activities</b>			
Profit before taxation		14,324	30,203
Adjustments:			
Net investment income		(10,367)	(4,144)
Share of results from an associate		-	(632)
Provision for impairment of loans and advances		66,018	50,205
(Write back of) provision for impairment of investment securities		(760)	2,304
Dividend income		(1,748)	(951)
Depreciation and amortisation		6,727	4,933
Provision for share based compensation		11	53
<b>Operating profit before changes in operating assets and liabilities</b>		<b>74,205</b>	<b>81,971</b>
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		49,251	4,324
Due from banks and other financial institutions		33,776	105,050
Loans and advances to customers		80,398	(83,373)
Other assets		(3,699)	13,319
Due to banks		29,311	81,022
Due to other financial institutions		(195,643)	70,042
Deposits from customers		(77,374)	(141,571)
Other liabilities		(61,529)	(48,904)
Taxation paid		(277)	(1,704)
Net cash (used in) from operating activities		<b>(71,581)</b>	<b>80,176</b>
<b>Investing activities</b>			
Purchase of investment securities		(4,392)	(241,026)
Proceeds from sale of investment securities		22,885	237,109
Purchase of property and equipment (net of disposals)		(7,353)	(3,056)
Dividends received		1,748	951
Investment in an associate		-	(14,648)
Acquisition of subsidiaries (net of cash acquired)	5	92,697	11,128
Net cash from (used in) investing activities		<b>105,585</b>	<b>(9,542)</b>
<b>Financing activities</b>			
Other borrowed funds		(11,231)	(74,592)
Share capital increase	6	100,800	-
Purchase of treasury shares		-	(1,758)
Sale of treasury shares		1,160	62
Cash dividend paid to non controlling interests		(3,953)	(3,333)
Net cash from (used in) financing activities		<b>86,776</b>	<b>(79,621)</b>
Effect of foreign currency translation		(3,945)	2,620
Net movement in non controlling interests		(105)	254
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>116,730</b>	<b>(6,113)</b>
Cash and cash equivalents at 1 January		602,088	550,955
<b>Cash and cash equivalents at 30 September</b>	3	<b>718,818</b>	<b>544,842</b>

The attached notes 1 to 16 form an integral part of this interim condensed consolidated financial information.

**Notes to the Interim Condensed Consolidated Financial Information  
As at 30 September 2010 (Unaudited)****1. INCORPORATION AND REGISTRATION**

Burgan Bank S.A.K. ("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 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 18 October 2010.

The principal activities of the Group are explained in note 13.

The Bank is a subsidiary of Kuwait Projects Company Holding K.S.C. ("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 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 2009.

The annual consolidated financial statements for the year ended 31 December 2009 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 interim condensed consolidated financial information do not contain all information and disclosures required for full consolidated financial statements prepared in accordance with IFRS, and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2009. Further, results for the nine months ended 30 September 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

**3. CASH AND CASH EQUIVALENTS**

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Cash in hand and on current account with banks & other financial institutions (OFI's)	120,055	212,716	222,698
Balances with the CBK	13,487	555	3,961
Due from banks and OFIs maturing within 30 days	585,276	388,817	318,183
	<u>718,818</u>	<u>602,088</u>	<u>544,842</u>

**4. INVESTMENT SECURITIES**

During the year ended 31 December 2008, the Group adopted the amendments to IAS 39 issued by International Accounting Standards Board (IASB) on 13 October 2008 and reclassified certain trading investments with a carrying value of KD 11,155 thousand (31 December 2009: KD 11,155 thousand, 30 September 2009: 11,107 thousand) from 'fair value through profit or loss' (financial assets held for trading) category to 'available for sale' category with effect from 1 July 2008.

The Group has recorded an unrealised gain of KD 342 thousand (31 December 2009: loss of KD 139 thousand and 30 September 2009: loss of KD 1,037 thousand) in respect of the reclassified financial assets in 'Cumulative changes in fair values' within other comprehensive income.

**4. INVESTMENT SECURITIES (continued)**

Had the Group not implemented these amendments, unrealised gain of KD 481 thousand (nine month period ended 30 September 2009: KD 194 thousand) would have been recorded in the interim condensed consolidated income statement.

**5. BUSINESS COMBINATION**

During 2008, the Bank and United Gulf Bank B.S.C ("UGB") (one of the subsidiaries of the Parent Company) entered into a 'Memorandum of Understanding' whereby UGB's holding in four commercial banks will be acquired by the Bank for KD 194 million. This 'Memorandum of Understanding' has certain clauses, including regulatory approvals, to be fulfilled by UGB and the Bank before the transaction can be completed.

The entities referred are:

- Jordan Kuwait Bank P.S.C ("JKB")
- Bank of Baghdad P.J.S.C. ("BoB")
- Algeria Gulf Bank S.P.A ("AGB")
- Tunis International Bank S.A ("TIB")

During the years 2008 and 2009, the Bank acquired controlling equity interest of 51.1% in JKB and 60% in AGB respectively, and consolidated these entities from the date of exercise of control.

During the year 2009, the Bank completed the PPA exercise for JKB and allocated a portion of the provisional goodwill to various identifiable tangible and intangible assets and accounted the residual value as goodwill. Accordingly, the 30 September 2009 comparative information has been restated to reflect this adjustment.

During the current period, the Bank acquired an additional equity interest of 6.48% in BoB (previously classified as "investment in an associate" with equity interest of 45.31%) and 76.56% in TIB (previously classified as financial asset available for sale with equity interest of 10 %) and accordingly the Bank's equity interest in BoB and TIB has increased to 51.79% and 86.56% respectively. Therefore, the two entities have become subsidiaries of the Group and have been consolidated from the date of exercise of control.

The acquisition of additional equity interest in TIB has resulted in an increase of effective equity interest in AGB from 65.11% to 91.08% as TIB owned 30% equity interest in AGB. This change in the ownership interest (without a change of control) is accounted for as an equity transaction. The adjustments to reflect the changes in the carrying amounts of the controlling and non controlling interest in AGB are recorded under 'Other reserves' in accordance with International Financial Reporting Standard IAS 27: Consolidated and Separate Financial Statements.

BoB is incorporated in the State of Iraq and having commercial banking as its' principal activity and is listed on Iraq Stock Exchange. TIB is incorporated in Tunisia and is operating under the supervision of the Central Bank of Tunisia. The main activity of TIB is corporate and private banking and money market operations.

The business combination was achieved in stages. The Bank re-measured its previously held equity interest in BoB and TIB at the acquisition-date fair value and recognised the resulting gain of KD 10,909 thousand, net of acquisition related expenses of KD 43 thousand in the interim condensed consolidated income statement as part of "Net investment income" (note 10).

The consideration paid and the provisional values of the assets acquired and liabilities assumed recognised, equivalent to their carrying values, at the acquisition date, as well as the non controlling interest's proportionate share of the acquiree's identifiable net assets in BoB and TIB, are summarised as follows:

**Notes to the Interim Condensed Consolidated Financial Information**  
**As at 30 September 2010 (Unaudited)**

**5. BUSINESS COMBINATION (continued)**

	<i>BoB</i> <i>KD 000's</i>	<i>TIB</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<b>Assets</b>			
Cash and cash equivalents	92,527	38,775	131,302
Treasury bills and bonds	46,743	3,566	50,309
Due from banks and other financial institutions	24,351	54,342	78,693
Loans and advances to customers	21,237	7,616	28,853
Investment securities	644	31,838	32,482
Other assets	9,313	889	10,202
Property and equipment	3,615	901	4,516
	<u>198,430</u>	<u>137,927</u>	<u>336,357</u>
<b>Liabilities</b>			
Due to banks	15	50,761	50,776
Deposits from customers	164,204	58,952	223,156
Other liabilities	8,043	4,623	12,666
	<u>172,262</u>	<u>114,336</u>	<u>286,598</u>
<b>Net assets acquired</b>	<u><b>26,168</b></u>	<u><b>23,591</b></u>	<u><b>49,759</b></u>
Consideration transferred	3,595	35,010	38,605
Non controlling interests in the acquirees	12,615	3,171	15,786
Fair value of acquirer's previously held equity interest	23,390	4,573	27,963
	<u>39,600</u>	<u>42,754</u>	<u>82,354</u>
Net assets acquired	(26,168)	(23,591)	(49,759)
<b>Provisional goodwill</b>	<u><b>13,432</b></u>	<u><b>19,163</b></u>	<u><b>32,595</b></u>
Consideration settled in cash	(3,595)	(35,010)	(38,605)
Cash and cash equivalents in subsidiaries acquired	92,527	38,775	131,302
<b>Cash inflow on acquisition</b>	<u><b>88,932</b></u>	<u><b>3,765</b></u>	<u><b>92,697</b></u>

BoB and TIB have been consolidated based on the provisional values assigned to the identifiable assets and liabilities as on the acquisition date and the management is in the process of determining the fair values of assets acquired and liabilities assumed.

**5. BUSINESS COMBINATION (continued)**

The interim condensed consolidated income statement of the Group for the period ended 30 September 2010 includes the following interim results of BoB and TIB from the date of control.

	<i>BoB</i> <i>KD 000's</i>	<i>TIB</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
Interest income	4,530	721	5,251
Interest expense	(1,095)	(162)	(1,257)
<b>Net interest income</b>	<b>3,435</b>	<b>559</b>	<b>3,994</b>
Net fee and commission income	979	386	1,365
Net gain from foreign currencies	1,217	253	1,470
Net investment loss	-	(142)	(142)
Other income	116	-	116
<b>Operating income</b>	<b>5,747</b>	<b>1,056</b>	<b>6,803</b>
Staff expenses	(1,362)	(323)	(1,685)
Other expenses	(1,474)	(293)	(1,767)
<b>Profit before taxation</b>	<b>2,911</b>	<b>440</b>	<b>3,351</b>
Taxation	(431)	-	(431)
<b>Profit for the period</b>	<b>2,480</b>	<b>440</b>	<b>2,920</b>

**6. INTANGIBLE ASSETS**

Intangible assets represent goodwill and other intangible assets.

On 30 April 2009, the Bank acquired 65.11 % equity interest in AGB and determined provisional goodwill after assigning provisional fair values to the identifiable assets and liabilities acquired pending finalisation of the Purchase Price Allocation ("PPA") exercise.

During the current period, the Bank completed the PPA exercise for AGB and allocated a portion of the provisional goodwill to various identifiable intangible assets and accounted the residual value as goodwill. Goodwill represents the future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognised.

Intangible assets identified as a result of PPA exercise for AGB were banking license KD 19,788 thousand, customer relationship KD 2,255 thousand and core customer deposits KD 275 thousand.

The fair value of other assets and liabilities acquired, do not materially differ from their provisionally determined fair values.

	<i>Intangible assets</i>			<i>Non controlling interests</i> <i>KD 000's</i>
	<i>Goodwill</i> <i>KD 000's</i>	<i>Other intangible assets</i> <i>KD 000's</i>	<i>Total intangible assets</i> <i>KD 000's</i>	
At 30 September 2009 (As originally stated)	90,480	57,158	147,638	95,042
PPA adjustment of AGB	(14,531)	22,318	7,787	7,787
At 30 September 2009 (Restated)	75,949	79,476	155,425	102,829
At 31 December 2009 (Restated)	76,617	79,068	155,685	110,586

## 6. INTANGIBLE ASSETS (continued)

As the amortisation effect (attributable to shareholders of the Parent Company and non controlling interests) of AGB's intangibles pertaining to the period ended 30 September 2009 amounting to KD 435 thousand (year ended 31 December 2009 amounting to KD 696 thousand) is not material, the same has been recognised in the current period along with the current period charge of KD 783 thousand, aggregating to KD 1,479 thousand. The total amortisation has been included under other expenses in the interim condensed consolidated income statement.

## 7. OTHER BORROWED FUNDS

	<i>Effective interest rate</i>	<i>30 September 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>30 September 2009 KD 000's</i>
Subordinated notes *	8.125%	111,247	-	-
Other borrowing –subsidiary	4.6%	544	6,114	6,110
Long term subordinated borrowing **	CBKDR + 1%	-	96,233	96,233
Medium term EURO borrowing due 2010	1.683%	-	20,675	21,008
		<u>111,791</u>	<u>123,022</u>	<u>123,351</u>

\* During the period, Burgan Finance No. 1 (Jersey) Limited (incorporated with limited liability under the laws of the Jersey), a special purpose entity established by the Bank, has issued US\$ 400 million 7.875 per cent subordinated notes due 2020 (the "notes") at a discounted price of 98.3 per cent of the principal amount. The notes meet the requirements to be treated as Tier II eligible capital under Basel II regulations issued by the Central Bank of Kuwait.

\*\* During the period, the Bank repaid long term subordinated borrowing of KD 96,233 thousand to a related party after the approval from regulatory authority.

## 8. OTHER LIABILITIES

	<i>30 September 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>30 September 2009 KD 000's</i>
Accrued interest payable	15,626	30,383	28,157
Staff benefits	7,966	4,606	6,661
Provision for non-cash credit facilities	18,949	11,197	16,285
Sundry creditors – subsidiaries	10,061	38,726	55,556
Other balances	47,155	54,991	37,215
	<u>99,757</u>	<u>139,903</u>	<u>143,874</u>

**Burgan Bank Group****Notes to the Interim Condensed Consolidated Financial Information****As at 30 September 2010 (Unaudited)****9. SHAREHOLDERS' EQUITY**

- a) The authorised, issued and fully paid up share capital of the Bank comprises 1,401,330,766 shares (31 December 2009: 1,041,330,766 shares and 30 September 2009: 1,041,330,766 shares) of 100 fils each.
- b) Treasury shares

	<i>30 September 2010</i>	<i>(Audited) 31 December 2009</i>	<i>30 September 2009</i>
Number of shares held	<b>26,515,301</b>	29,570,769	29,577,256
Percentage of shares held	<b>1.89%</b>	2.84%	2.84%
Market value - KD 000's	<b>12,462</b>	9,906	10,796

c) **Capital increase**

The extraordinary general meeting of shareholders held on 11 January 2010 approved the increase of the Bank's share capital through the issuance of rights issue of 360 million shares, each with a nominal value of 100 fils and a share premium of 180 fils. During the current period the rights issue has been fully subscribed resulting in an increase in share capital of KD 36,000 thousand and share premium of KD 64,800 thousand.

d) **Dividends**

The Board of Directors had recommended not to distribute any dividend for the year 2009 (2008: bonus shares 10%), which was subsequently approved by the shareholders, at the annual general meeting of the shareholders held on 5 April 2010.

**10. NET INVESTMENT INCOME**

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>
Net gain (loss) from financial assets at fair value through profit or loss	27	(271)	13	(454)
Net gain (loss) from financial assets available for sale	178	1,447	(555)	1,514
Gain on fair valuation of previously held equity interest in subsidiaries (note 5)	-	-	10,909	3,084
	<b>205</b>	<b>1,176</b>	<b>10,367</b>	<b>4,144</b>

**11. TAXATION**

The major components of taxation in the interim condensed consolidated income statement are:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>
National Labour Support Tax	-	26	-	346
Contribution to the Kuwait Foundation for the advancement of Science	-	11	-	128
Zakat	-	11	-	139
Taxation arising outside Kuwait	3,244	(163)	8,994	3,941
	<b>3,244</b>	<b>(115)</b>	<b>8,994</b>	<b>4,554</b>

**Notes to the Interim Condensed Consolidated Financial Information  
As at 30 September 2010 (Unaudited)**

**11. TAXATION (continued)**

Taxation arising outside Kuwait relating to overseas subsidiaries includes KD 6,561 thousand (for the year ended 31 December 2009: 6,787 thousand and 30 September 2009: KD 4,073 thousand) pertaining to the banking subsidiary in Jordan. The current applicable income tax rate in Jordan is 30% whereas the effective income tax rate for the period ended 30 September 2010 is 32% (for the year ended 31 December 2009: 26% and for the period ended 30 September 2009: 23%).

**12. EARNINGS (LOSS) PER SHARE**

Basic and diluted earnings (loss) per share is computed by dividing the profit (loss) for the period attributable to equity holders of the Bank by the weighted average number of shares outstanding during the period less treasury shares.

The computation of basic and diluted earnings (loss) per share is as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>
Profit (loss) for the period attributable to equity holders of the Bank	<u>3,838</u>	<u>1,756</u>	<u>(3,028)</u>	<u>13,504</u>
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	<u>1,374,805,067</u>	<u>1,082,168,014</u>	<u>1,250,832,378</u>	<u>1,082,426,080</u>
Basic and diluted earnings (loss) per share (fils)	<u>2.8</u>	<u>1.6</u>	<u>(2.4)</u>	<u>12.5</u>

The comparative basic and diluted earnings per share have been restated for the effect of rights shares issued during the current period (note 9).

**13. SEGMENTAL ANALYSIS**

The Group is organised into three main business segments:

- Banking: incorporating private customer current account, business current accounts savings, deposits, investment products, credit and debit cards, consumer and housing loans, overdrafts, commercial loans and other credit facilities
- Treasury and investment banking: incorporating money market, foreign exchange, Treasury bills and bonds and Central bank bonds, investments and fund management.
- International: incorporating operations arising outside the state of Kuwait.

Management monitors the result of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit and loss which is in certain respects is measured differently from operating profit or loss in the consolidated financial information.

Segment results include revenue and expenses directly attributable to each particular segment as the Group does not have any inter-segment charges.

**Burgan Bank Group**

**Notes to the Interim Condensed Consolidated Financial Information**  
**As at 30 September 2010 (Unaudited)**

**13. SEGMENTAL ANALYSIS (continued)**

	<i>Banking</i> <i>KD 000's</i>	<i>Treasury and investment banking</i> <i>KD 000's</i>	<i>International</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<b>30 September 2010</b>				
Net interest income	42,412	1,609	33,769	77,790
Segment operating income	54,406	16,347	51,866	122,619
Segment result before provisions	45,637	14,957	30,761	91,355
Provision for impairment of loans and advances (Provision for) write back of impairment of investment securities	(67,507)	6,587	(5,098)	(66,018)
	-	(426)	1,186	760
Segment result	(21,870)	21,118	26,849	26,097
Unallocated expenses				(11,773)
Profit for the period before taxation				14,324
Segment assets	1,603,299	1,077,300	1,494,934	4,175,533
Segment liabilities	1,176,598	1,410,766	1,057,195	3,644,559
	<i>Banking</i> <i>KD 000's</i>	<i>Treasury and investment banking</i> <i>KD 000's</i>	<i>International</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>
<b>30 September 2009</b>				
Net interest income	42,992	5,531	26,011	74,534
Segment operating income	55,876	8,876	51,042	115,794
Segment result before provisions	47,280	6,708	36,389	90,377
Provision for impairment of loans and advances	(24,789)	(19,353)	(6,063)	(50,205)
Impairment of investment securities	-	(776)	(1,528)	(2,304)
Segment result	22,491	(13,421)	28,798	37,868
Unallocated expenses				(7,665)
Profit for the period before taxation				30,203
Segment assets	1,813,595	1,040,121	1,158,308	4,012,024
Segment liabilities	1,200,631	1,585,220	792,988	3,578,839

**14. TRANSACTIONS WITH RELATED PARTIES**

These represent transactions with the Parent Company and other related parties i.e., directors, key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The others column in the table below mainly represent transactions with entities that are either controlled or significantly influenced by the Parent Company. Pricing policies and terms of these transactions were made on substantially the same terms as those prevailing at the same time for comparable transactions with unrelated parties.

**Burgan Bank Group**
**Notes to the Interim Condensed Consolidated Financial Information  
As at 30 September 2010 (Unaudited)**
**14. TRANSACTIONS WITH RELATED PARTIES (continued)**

Related party balances and transactions consist of the following:

	Parent Company KD 000's	Others KD 000's	(Audited)		
			30 September 2010 KD 000's	31 December 2009 KD 000's	30 September 2009 KD 000's
<b>Balances</b>					
Due from banks and other financial institutions	-	157,622	157,622	179,499	174,987
Loans and advances to customers	-	33,000	33,000	35,800	36,063
Investment securities	9,542	34,558	44,100	19,689	7,821
Investment securities managed by a related party	-	572	572	652	746
Due to banks	-	5,942	5,942	15,216	15,742
Due to other financial institutions	-	31,689	31,689	7,146	7,570
Deposits from customers	72,439	21,450	93,889	101,503	102,437
Other borrowed funds	-	-	-	96,233	96,233

**Commitments**

Letters of credit	-	-	-	-	29
Letters of guarantee	-	2,515	2,515	2,707	3,005

	Parent Company KD 000's	Others KD 000's	(Audited)		
			30 September 2010 KD 000's	31 December 2009 KD 000's	30 September 2009 KD 000's
<b>Transactions</b>					
Interest income	79	5,203	5,282	9,135	6,970
Interest expense	359	2,413	2,772	6,020	4,670
Fee and commission income	56	170	226	336	414
Fee and commission expense	-	90	90	956	947
Dividend income	37	830	867	251	251
Other income	-	-	-	4,197	4,197
Other expenses	-	837	837	-	-

	No. of Board members / Group executive staff	(Audited)		
		30 September 2010 KD 000's	31 December 2009 KD 000's	30 September 2009 KD 000's
<b>Board members</b>				
Loans and advances	1	185	989	440
Deposits from customers	8	1,597	1,455	2,409
<b>Group executive staff</b>				
Loans and advances	21	437	492	511
Deposits from customers	25	1,004	951	965
Letters of guarantee	1	1	3	3

**Key management compensation**

Remuneration paid or accrued in relation to the Group's "key management" (deemed for this purpose to comprise Directors in relation for their committee service, the Chief Executive Officer and other Senior Officers) are as follows:

**14. TRANSACTIONS WITH RELATED PARTIES (continued)**

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short term employee benefits – including salary & bonus	1,351	1,513
Accrual for end of service indemnity	433	193
	<u>1,784</u>	<u>1,706</u>

**15. COMMITMENTS AND CONTINGENT LIABILITIES**

The Group has the following credit related commitments and contingent liabilities:

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Acceptances	17,578	22,191	38,821
Letters of credit	218,943	173,895	127,058
Letters of guarantee	495,028	462,861	477,649
Undrawn commitments to extend credit	160,156	141,694	126,186
	<u>891,705</u>	<u>800,641</u>	<u>769,714</u>

**16. 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.

	<i>(Audited)</i>		
	<i>30 September</i>	<i>31 December</i>	<i>30 September</i>
	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<b>Derivatives held for trading:</b>			
<i>(non-qualifying hedges)</i>			
Forward swaps / foreign exchange contracts	<u>7,741</u>	<u>1,447</u>	<u>6,765</u>