

BURGAN BANK GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

30 JUNE 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 June 2010 and the related interim condensed consolidated statements of income and comprehensive income for the three month and six month periods then ended and the related interim condensed consolidated statements of changes in equity and cash flows for the six 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 six month period ended 30 June 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 six month period ended 30 June 2010.



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OF ERNST & YOUNG



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DELOITTE
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14 July 2010


Kuwait

Burgan Bank Group

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2010 (Unaudited)

		30 June	<i>(Audited)</i> 31 December	30 June
	<i>Notes</i>	2010	2009	2009
		KD 000's	<i>(Restated)</i> KD 000's	<i>(Restated)</i> KD 000's
ASSETS				
Cash and cash equivalents	3	518,784	602,088	511,015
Treasury bills and bonds with CBK and others		457,014	417,049	375,484
Due from banks and other financial institutions		462,093	407,427	528,289
Loans and advances to customers		2,168,795	2,246,949	2,318,595
Investment securities	4	141,921	140,952	125,874
Investment in an associate	5	-	15,434	14,904
Other assets		76,348	79,523	75,572
Property and equipment		45,512	36,664	34,681
Intangible assets	5 & 6	186,050	155,685	156,668
TOTAL ASSETS		4,056,517	4,101,771	4,141,082
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to banks		343,244	276,438	250,922
Due to other financial institutions		585,244	701,366	718,996
Deposits from customers		2,437,553	2,424,981	2,406,472
Other borrowed funds	7	50,214	123,022	182,193
Other liabilities	8	109,014	139,903	154,914
TOTAL LIABILITIES		3,525,269	3,665,710	3,713,497
SHAREHOLDERS' EQUITY				
Share capital	9	140,133	104,133	104,133
Share premium	9	129,559	64,759	64,759
Treasury shares	9	(16,410)	(18,290)	(18,312)
Statutory reserve		39,872	39,872	39,216
Voluntary reserve		40,250	40,250	39,594
Treasury shares reserve		36,838	37,296	37,291
Investments revaluation reserve		7,713	12,447	12,008
Share based compensation reserve		272	538	532
Foreign currency translation reserve		11,663	10,675	10,698
Other reserves		4,739	-	-
Retained earnings		26,939	33,795	40,644
Equity attributable to the equity holders of the Bank		421,568	325,475	330,563
Non controlling interests		109,680	110,586	97,022
TOTAL SHAREHOLDERS' EQUITY		531,248	436,061	427,585
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,056,517	4,101,771	4,141,082


Majed Bssa Al Ajeel
Chairman


Raed A. Al-Haqhaq
Acting Chief General Manager & 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 June 2010 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
		KD 000's	KD 000's (Restated)	KD 000's	KD 000's (Restated)
Interest income		41,730	53,770	84,869	107,401
Interest expense		(16,200)	(26,868)	(34,818)	(58,798)
Net interest income		25,530	26,902	50,051	48,603
Fee and commission income		8,281	9,196	16,453	15,889
Fee and commission expense		(486)	(426)	(972)	(719)
Net fee and commission income		7,795	8,770	15,481	15,170
Net gain from foreign currencies		2,321	1,240	3,337	3,029
Net investment income	10	2,383	3,353	10,162	2,968
Share of result from an associate		-	256	-	256
Dividend income		277	786	1,551	930
Other income		1,173	5,516	2,059	7,453
Operating income		39,479	46,823	82,641	78,409
Staff expenses		(6,283)	(5,632)	(12,600)	(10,919)
Other expenses		(8,667)	(6,418)	(16,161)	(11,599)
Operating profit before provision		24,529	34,773	53,880	55,891
Provision for impairment of loans and advances		(28,606)	(23,497)	(51,111)	(27,793)
Write back of (provision for) impairment of investment securities		740	(1,932)	717	(2,532)
(Loss) profit before taxation		(3,337)	9,344	3,486	25,566
Taxation	11	(3,329)	(2,162)	(5,750)	(4,669)
(Loss) profit for the period		(6,666)	7,182	(2,264)	20,897
Attributable to:					
Equity holders of the Bank		(8,730)	760	(6,856)	11,748
Non controlling interests		2,064	6,422	4,592	9,149
		(6,666)	7,182	(2,264)	20,897
		Fils	Fils	Fils	Fils
Basic and diluted (loss) earnings per share - attributable to the equity holders of the Bank	12	(7.4)	0.7	(5.7)	10.9

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 June 2010 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</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>
(Loss) profit for the period	(6,666)	7,182	(2,264)	20,897
Other comprehensive (loss) income				
Financial assets available for sale:				
Net fair value (loss) gain	(4,755)	4,973	(3,132)	3,967
Net transfer to income statement	(1,383)	1,781	(1,359)	2,200
Foreign currency translation adjustment	961	(3,943)	1,653	8,695
Other comprehensive (loss) income for the period	(5,177)	2,811	(2,838)	14,862
Total comprehensive (loss) income for the period	(11,843)	9,993	(5,102)	35,759
Attributable to:				
Equity holders of the Bank	(14,199)	2,898	(10,602)	21,947
Non controlling interests	2,356	7,095	5,500	13,812
	(11,843)	9,993	(5,102)	35,759

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 June 2010 (Unaudited)

	Attributable to the equity holders of the Bank													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares reserve KD 000's	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	(Restated) Non controlling interests KD 000's	Total equity 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	-	-	-	-	-	-	-	-	-	-	(6,856)	(6,856)	4,592	(2,264)
Other comprehensive (loss) income	-	-	-	-	-	-	(4,734)	-	988	-	-	(3,746)	908	(2,838)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	(4,734)	-	988	-	(6,856)	(10,602)	5,500	(5,102)
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)	-	-	-	-	-	-	-	-	-	-	-	-	(19,182)	(14,443)
Sale of treasury shares	-	-	1,880	-	-	(724)	-	-	-	4,739	-	1,156	-	1,156
Transfer from share based compensation reserve	-	-	-	-	-	266	-	(266)	-	-	-	-	-	-
Acquisition of subsidiaries (note 5)	-	-	-	-	-	-	-	-	-	-	-	-	16,833	16,833
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(104)	(104)
Balance as at 30 June 2010	140,133	129,559	(16,410)	39,872	40,250	36,838	7,713	272	11,663	4,739	26,939	421,568	109,680	531,248

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 June 2009 (Unaudited)

	Attributable to the equity holders of the Bank													
	Share capital KD 000's	Share premium KD 000's	Treasury shares KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Treasury shares reserve KD 000's	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	(Restated) Non controlling interests KD 000's	Total equity 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	-	-	-	-	-	-	-	-	-	-	11,748	11,748	9,149	20,897
Other comprehensive income	-	-	-	-	-	-	4,527	-	5,672	-	-	10,199	4,663	14,862
Total comprehensive income	-	-	-	-	-	-	4,527	-	5,672	-	11,748	21,947	13,812	35,759
Cash dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	(1,900)	(1,900)
Bonus shares issued	9,467	-	-	-	-	-	-	-	-	-	(9,467)	-	-	-
Purchase of treasury shares	-	-	(1,758)	-	-	-	-	-	-	-	-	(1,758)	-	(1,758)
Sale of treasury shares	-	-	35	-	-	5	-	-	-	-	-	40	-	40
Share based compensation expense	-	-	-	-	-	-	-	48	-	-	-	48	-	48
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(4,641)	(4,641)
Balance as at 30 June 2009	104,133	64,759	(18,312)	39,216	39,594	37,291	12,008	532	10,698	-	40,644	330,563	97,022	427,585

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 June 2010 (Unaudited)

	Notes	Six months ended 30 June	
		2010 KD 000's	2009 KD 000's (Restated)
Operating activities			
Profit before taxation		3,486	25,566
Adjustments:			
Net investment income		(10,162)	(2,968)
Share of results from an associate		-	(256)
Provision for impairment of loans and advances		51,111	27,793
(Write back of) provision for impairment of investment securities		(717)	2,532
Dividend income		(1,551)	(930)
Depreciation and amortisation		4,670	3,128
Provision for share based compensation		-	48
Operating profit before changes in operating assets and liabilities		46,837	54,913
Changes in operating assets and liabilities:			
Treasury bills and bonds and Central bank bonds		10,344	11,894
Due from banks and other financial institutions		28,020	(6,377)
Loans and advances to customers		52,027	(111,471)
Other assets		13,377	15,629
Due to banks		16,030	43,741
Due to other financial institutions		(116,122)	114,646
Deposits from customers		(210,584)	(84,118)
Other liabilities		(47,040)	(37,979)
Taxation paid		(218)	(1,704)
Net cash used in operating activities		(207,329)	(826)
Investing activities			
Purchase of investment securities		(3,720)	(168,613)
Proceeds from sale of investment securities		14,649	154,314
Purchase of property and equipment (net of disposals)		(6,406)	(1,714)
Dividends received		1,551	930
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		98,771	(18,603)
Financing activities			
Other borrowed funds		(72,808)	(15,750)
Share capital increase		100,800	-
Purchase of treasury shares		-	(1,758)
Sale of treasury shares		1,156	40
Cash dividend paid to non controlling interests		(3,953)	(1,900)
Net cash from (used in) financing activities		25,195	(19,368)
Effect of foreign currency translation		163	3,498
Net movement in non controlling interests		(104)	(4,641)
Net decrease in cash and cash equivalents		(83,304)	(39,940)
Cash and cash equivalents at 1 January		602,088	550,955
Cash and cash equivalents at 30 June	3	518,784	511,015

The attached notes 1 to 16 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 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 June 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 14 July 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 six months ended 30 June 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>30 June</i> <i>2010</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD 000's</i>	<i>30 June</i> <i>2009</i> <i>KD 000's</i>
Cash in hand and on current account with banks & other financial institutions (OFI's)	102,233	212,716	201,724
Balances with the CBK	328	555	404
Due from banks and OFIs maturing within 30 days	416,223	388,817	308,887
	<u>518,784</u>	<u>602,088</u>	<u>511,015</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 June 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 367 thousand (31 December 2009: loss of KD 139 thousand and 30 June 2009: loss of KD 1,132 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 228 thousand (six month period ended 30 June 2009: KD 99 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 June 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 %) (note 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:

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 30 June 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>
Assets			
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	21,361	7,616	28,977
Investment securities	644	31,838	32,482
Other assets	9,313	889	10,202
Property and equipment	3,615	901	4,516
	<u>198,554</u>	<u>137,927</u>	<u>336,481</u>
Liabilities			
Due to banks	15	50,761	50,776
Deposits from customers	164,204	58,952	223,156
Other liabilities	5,996	4,623	10,619
	<u>170,215</u>	<u>114,336</u>	<u>284,551</u>
Net assets acquired	<u>28,339</u>	<u>23,591</u>	<u>51,930</u>
Consideration transferred	3,595	35,010	38,605
Non controlling interests in the acquirees	13,662	3,171	16,833
Fair value of acquirer's previously held equity interest	23,390	4,573	27,963
	<u>40,647</u>	<u>42,754</u>	<u>83,401</u>
Net assets acquired	<u>(28,339)</u>	<u>(23,591)</u>	<u>(51,930)</u>
Provisional goodwill	<u>12,308</u>	<u>19,163</u>	<u>31,471</u>
Consideration settled in cash	(3,595)	(35,010)	(38,605)
Cash and cash equivalents in subsidiaries acquired	92,527	38,775	131,302
Cash inflow on acquisition	<u>88,932</u>	<u>3,765</u>	<u>92,697</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.

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 30 June 2010 (Unaudited)****5. BUSINESS COMBINATION (continued)**

The interim condensed consolidated income statement of the Group for the period ended 30 June 2010 includes the following interim results of BoB from the date of control and does not include the interim results of TIB since TIB was acquired only on 30 June 2010.

	<i>Total KD 000's</i>
Interest income	2,864
Interest expense	(729)
Net interest income	2,135
Net fee and commission income	674
Net gains from foreign currencies	737
Other income	79
Operating income	3,625
Staff expenses	(850)
Other expenses	(891)
Profit before taxation	1,884
Taxation	(289)
Profit for the period	1,595

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 (including contingent liabilities) acquired, do not materially differ from their provisionally determined fair values.

	<i>Intangible assets</i>			<i>Non controlling interests KD 000's</i>
	<i>Goodwill KD 000's</i>	<i>Other intangible assets KD 000's</i>	<i>Total intangible assets KD 000's</i>	
At 30 June 2009 (As originally stated)	91,023	57,858	148,881	89,235
PPA adjustment of AGB	(14,531)	22,318	7,787	7,787
At 30 June 2009 (<i>Restated</i>)	<u>76,492</u>	<u>80,176</u>	<u>156,668</u>	<u>97,022</u>
At 31 December 2009 (<i>Restated</i>)	<u>76,617</u>	<u>79,068</u>	<u>155,685</u>	<u>110,586</u>

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 30 June 2010 (Unaudited)****6. INTANGIBLE ASSETS (continued)**

As the amortisation effect (attributable to shareholders of the Parent Company and non controlling interest) of AGB's intangibles pertaining to the period ended 30 June 2009 amounting to KD 174 thousand (year ended 31 December 2009 amounting to KD 696 thousand) is not material, this has been recognised in the current period along with the current period charge of KD 522 thousand, aggregating to KD 1,218 thousand. The total amortisation has been included in other expenses in the interim condensed consolidated financial information.

7. OTHER BORROWED FUNDS

		<i>30 June</i> <i>2010</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD 000's</i>	<i>30 June</i> <i>2009</i> <i>KD 000's</i>
	<i>Effective</i> <i>interest rate</i>			
Long term subordinated borrowing *	CBKDR + 1%	48,116	96,233	96,233
Other borrowing –subsidiary	8.2%	2,098	6,114	6,111
Medium term EURO borrowing due 2010	1.683%	-	20,675	20,286
Medium term USD borrowing due 2009	LIBOR + 0.450%	-	-	45,210
Medium term USD borrowing due 2009	LIBOR + 0.300%	-	-	14,353
		<u>50,214</u>	<u>123,022</u>	<u>182,193</u>

* During the period, the Bank repaid long term subordinated borrowing of KD 48,116 thousand to a related party after the approval from regulatory authorities (note 14).

8. OTHER LIABILITIES

	<i>30 June</i> <i>2010</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i> <i>KD 000's</i>	<i>30 June</i> <i>2009</i> <i>KD 000's</i>
Accrued interest payable	17,757	30,383	33,746
Staff benefits	8,023	4,606	6,926
Provision for non-cash credit facilities	14,995	11,197	18,907
Sundry creditors – subsidiaries	17,158	38,726	54,773
Other balances	51,081	54,991	40,562
	<u>109,014</u>	<u>139,903</u>	<u>154,914</u>

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 June 2009: 1,041,330,766 shares) of 100 fils each.

b) Treasury shares

	<i>30 June</i> <i>2010</i>	<i>(Audited)</i> <i>31 December</i> <i>2009</i>	<i>30 June</i> <i>2009</i>
Number of shares held	26,530,918	29,570,769	29,602,863
Percentage of shares held	<u>1.89%</u>	<u>2.84%</u>	<u>2.84%</u>
Market value - KD 000's	<u>8,357</u>	<u>9,906</u>	<u>12,581</u>

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.

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

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>Six months ended 30 June</i>	
	2010 KD 000's	2009 KD 000's
Net loss from financial assets at fair value through profit or loss	(14)	(183)
Net (loss) gain from financial assets available for sale	(733)	67
Gain on fair valuation of previously held equity interest in subsidiaries (note 5)	10,909	3,084
	10,162	2,968

11. TAXATION

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	2010 KD 000's	2009 KD 000's	2010 KD 000's	2009 KD 000's
National Labour Support Tax	(49)	25	-	320
Contribution to the Kuwait Foundation for the advancement of Science	(18)	10	-	117
Zakat	(11)	9	-	128
Taxation arising outside Kuwait	3,407	2,118	5,750	4,104
	3,329	2,162	5,750	4,669

Taxation arising outside Kuwait relating to overseas subsidiaries includes KD 4,252 thousand (for the year ended 31 December 2009: 6,787 thousand and 30 June 2009: KD 4,851 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 June 2010 is 34% (for the year ended 31 December 2009: 26% and for the period ended 30 June 2009: 27%).

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 30 June 2010 (Unaudited)****12. (LOSS) EARNINGS PER SHARE**

Basic and diluted (loss) earnings per share is computed by dividing the (loss) profit 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 (loss) earnings per share is as follows:

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</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>
(Loss) profit for the period attributable to equity holders of the Bank	(8,730)	760	(6,856)	11,748
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Weighted average number of outstanding shares, net of treasury shares	1,176,786,484	1,082,141,203	1,194,417,628	1,082,559,768
Basic and diluted (loss) earnings per share (fils)	(7.4)	0.7	(5.7)	10.9

The comparative basic and diluted (loss) 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.

	<i>Treasury and investment</i>			
	<i>Banking</i>	<i>banking</i>	<i>International</i>	<i>Total</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
30 June 2010				
Net interest income	28,222	210	21,619	50,051
Segment operating income	36,378	13,303	32,960	82,641
Segment result before provisions	30,540	12,383	18,919	61,842
Provision for impairment of loans and advances	(53,372)	6,846	(4,585)	(51,111)
(Provision for) write back of impairment of investment securities	-	(426)	1,143	717
Segment result	(22,832)	18,803	15,477	11,448
Unallocated expenses				(7,962)
Profit for the period before taxation				3,486
Segment assets	1,620,913	975,057	1,460,547	4,056,517
Segment liabilities	1,118,027	1,372,428	1,034,814	3,525,269

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 30 June 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>
<i>30 June 2009</i>				
Net interest income	26,574	4,089	17,940	48,603
Segment operating income	<u>35,851</u>	<u>7,364</u>	<u>35,194</u>	<u>78,409</u>
Segment result before provisions	30,033	5,680	25,322	61,035
Provision for impairment of loans and advances	(15,570)	(11,269)	(954)	(27,793)
Impairment of investment securities		(776)	(1,756)	(2,532)
Segment result	<u>14,463</u>	<u>(6,365)</u>	<u>22,612</u>	<u>30,710</u>
Unallocated expenses				(5,144)
Profit for the period before taxation				<u>25,566</u>
Segment assets	<u>1,830,887</u>	<u>1,167,455</u>	<u>1,142,740</u>	<u>4,141,082</u>
Segment liabilities	<u>1,150,890</u>	<u>1,776,824</u>	<u>785,783</u>	<u>3,713,497</u>

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.

Related party balances and transactions consist of the following:

	<i>Parent Company</i> <i>KD 000's</i>	<i>Others</i> <i>KD 000's</i>	<i>30 June 2010</i> <i>KD 000's</i>	<i>(Audited)</i> <i>31 December 2009</i> <i>KD 000's</i>	<i>30 June 2009</i> <i>KD 000's</i>
Balances					
Due from banks and other financial institutions	-	168,848	168,848	179,499	155,934
Loans and advances to customers	-	33,000	33,000	35,800	36,386
Investment securities	5,763	34,731	40,494	19,689	7,288
Investment securities managed by a related party	-	615	615	652	909
Due to banks	-	11,684	11,684	15,216	11,096
Due to other financial institutions	-	14,007	14,007	7,146	16,812
Deposits from customers	9,013	21,677	30,690	101,503	58,170
Other borrowed funds	-	48,116	48,116	96,233	96,233
Commitments					
Letters of credit	-	-	-	-	16
Letters of guarantee	-	2,250	2,250	2,707	2,822

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

	<i>Parent ompany KD 000's</i>	<i>Others KD 000's</i>	<i>30 June 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>30 June 2009 KD 000's</i>
Transactions					
Interest income	41	3,484	3,525	9,135	4,697
Interest expense	195	1,822	2,017	6,020	3,295
Fee and commission income	24	30	54	336	329
Fee and commission expense	-	80	80	956	41
Dividend income	37	830	867	251	251
Other income	-	-	-	-	4,197
Other expenses	-	659	659	-	-

	<i>No. of Board members / Group executive staff</i>	<i>30 June 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>30 June 2009 KD 000's</i>
Board members				
Loans and advances	2	226	989	200
Deposits from customers	8	872	1,455	3,105
Group executive staff				
Loans and advances	19	472	492	200
Deposits from customers	25	969	951	1,304
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:

	<i>Six months ended 30 June</i>	
	<i>2010 KD 000's</i>	<i>2009 KD 000's</i>
Short term employee benefits – including salary & bonus	994	1,030
Accrual for end of service indemnity	403	160
Accrual for cost of long term incentive rights	-	57
	1,397	1,247

15. COMMITMENTS AND CONTINGENT LIABILITIES

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

	<i>30 June 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>30 June 2009 KD 000's</i>
Acceptances	17,022	22,191	81,668
Letters of credit	211,378	173,895	100,790
Letters of guarantee	510,106	462,861	485,126
Undrawn commitments to extend credit	150,003	141,694	146,473
	888,509	800,641	814,057

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 30 June 2010 (Unaudited)****16. DERIVATIVES**

In ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

The table below shows the notional amounts of derivatives outstanding as of the reporting date analysed by the term to maturity. 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.

The notional amounts indicate the volume of transactions outstanding at the period / year end and are not indicative of either market or credit risk.

The net positive (negative) fair value of the derivative instruments as at 30 June 2010 is KD 80 thousand (31 December 2009: (KD 3 thousand) and 30 June 2009: KD 105 thousand) and is included in the carrying amount of (other liabilities) other assets.

30 June 2010

	<i>Notional amounts by term to maturity</i>		
	<i>Total</i>	<i>Within</i>	<i>Over</i>
	<i>KD 000s</i>	<i>1 year</i>	<i>1 year</i>
	<i>KD 000s</i>	<i>KD 000s</i>	<i>KD 000s</i>
<i>Derivatives held for trading (non-qualifying hedges)</i>			
Forward swaps/ foreign exchange contracts	10,902	10,902	-

31 December 2009 (Audited)

	<i>Notional amounts by term to maturity</i>		
	<i>Total</i>	<i>Within</i>	<i>Over</i>
	<i>KD 00's</i>	<i>1 year</i>	<i>1 year</i>
	<i>KD 00's</i>	<i>KD 000s</i>	<i>KD 000s</i>
<i>Derivatives held for trading (non-qualifying hedges)</i>			
Forward swaps/ foreign exchange contracts	1,447	1,447	-

30 June 2009

	<i>Notional amounts by term to maturity</i>		
	<i>Total</i>	<i>Within</i>	<i>Over</i>
	<i>KD 000's</i>	<i>1 year</i>	<i>1 year</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
<i>Derivatives held for trading (non-qualifying hedges)</i>			
Forward swaps/ foreign exchange contracts	7,354	7,354	-