

BURGAN BANK GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

31 MARCH 2011 (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.

Report on the Interim Condensed Consolidated Financial Information

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 31 March 2011, and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three 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.

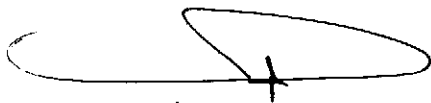
Report on other Legal and Regulatory Requirements

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 period ended 31 March 2011 that might have had a material effect on the business of the Bank or on its financial position.

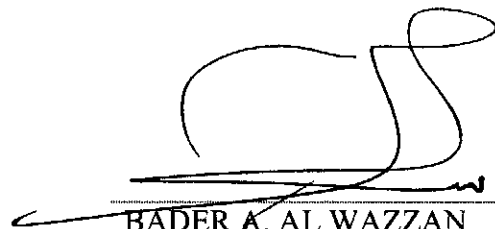
**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION TO THE BOARD OF DIRECTORS OF BURGAN BANK S.A.K.
(continued)**

Report on other Legal and Regulatory Requirements (continued)

We further report that, during the course of our review, to the best of our knowledge and belief, we are not 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 three month period ended 31 March 2011.



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DELOITTE & TOUCHE
AL-FAHAD, AL-WAZZAN & CO.

14 April 2011

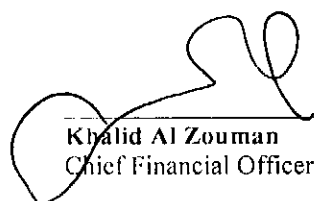
Kuwait

Burgan Bank Group

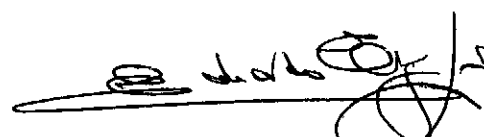
Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2011 (Unaudited)

		(Audited)	
	31 March	31 December	31 March
	2011	2010	2010
Notes	KD 000's	KD 000's	KD 000's (Restated)
ASSETS			
Cash and cash equivalents	3	506,979	624,939
Treasury bills and bonds with CBK and others		445,472	466,969
Due from banks and other financial institutions		554,029	485,659
Loans and advances to customers		2,147,013	2,135,789
Investment securities		131,342	132,578
Other assets		64,716	71,281
Property and equipment		47,911	49,375
Intangible assets	4	179,937	183,319
TOTAL ASSETS		4,077,399	4,149,909
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks		232,441	303,287
Due to other financial institutions		497,749	508,205
Deposits from customers		2,559,037	2,564,826
Other borrowed funds	5	107,800	109,075
Other liabilities	6	131,400	123,371
TOTAL LIABILITIES		3,528,427	3,608,764
SHAREHOLDERS' EQUITY			
Share capital	7	147,140	140,133
Share premium		129,559	129,559
Treasury shares	7	(18,730)	(16,401)
Statutory reserve		40,365	40,365
Voluntary reserve		40,743	40,743
Treasury shares reserve		36,569	36,567
Investments revaluation reserve		8,787	8,732
Share based compensation reserve		554	549
Foreign currency translation reserve		(526)	1,957
Other reserves		4,739	4,739
Retained earnings		42,279	37,464
Equity attributable to the equity holders of the Bank		431,479	424,407
Non controlling interests		117,493	116,738
TOTAL SHAREHOLDERS' EQUITY		548,972	541,145
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		4,077,399	4,149,909


Khalid Al Zouman
Chief Financial Officer


Majed Essa Al Ajeel
Chairman


Eduardo Eguren Linsen
Chief Executive Officer

Burgan Bank Group

Interim Condensed Consolidated Income Statement

Period ended 31 March 2011 (Unaudited)

	Notes	Three months ended 31 March	
		2011 KD 000's	2010 KD 000's (Restated)
Interest income		41,412	43,139
Interest expense		(15,834)	(18,618)
Net interest income		25,578	24,521
Fee and commission income		9,836	8,172
Fee and commission expense		(333)	(486)
Net fee and commission income		9,503	7,686
Net gain from foreign currencies		2,106	1,016
Net investment (loss) income		(10)	7,779
Dividend income		877	1,274
Other income		748	886
Operating income		38,802	43,162
Staff expenses		(6,932)	(6,317)
Other expenses		(8,853)	(8,815)
Operating profit before provision		23,017	28,030
Provision for impairment of loans and advances		(4,432)	(22,505)
Impairment of investment securities		(1,265)	(23)
Profit before taxation		17,320	5,502
Taxation	8	(3,448)	(2,421)
Profit for the period		13,872	3,081
Attributable to:			
Equity holders of the Bank		11,822	1,062
Non controlling interests		2,050	2,019
		13,872	3,081
		Fils	Fils
Basic and diluted earnings per share - attributable to the equity holders of the Bank	9	8.2	1.0

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 31 March 2011 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>
		<i>(Restated)</i>
Profit for the period	13,872	3,081
Other comprehensive income		
Financial assets available for sale:		
Net fair value (loss) gain	(910)	1,623
Net transfer to income statement	1,144	24
Foreign currency translation adjustment	(3,957)	692
Other comprehensive (loss) income for the period	(3,723)	2,339
Total comprehensive income for the period	10,149	5,420
Attributable to:		
Equity holders of the Bank	9,394	2,785
Non controlling interests	755	2,635
	10,149	5,420

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

Burgan Bank Group

Interim Condensed Consolidated Statement of Changes in Equity

Period ended 31 March 2011 (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	Non controlling interests KD 000's	Total equity KD 000's
Balance at 1 January 2011	140,133	129,559	(16,401)	40,365	40,743	36,567	8,732	549	1,957	4,739	37,464	424,407	116,738	541,145
Profit for the period	-	-	-	-	-	-	-	-	-	-	11,822	11,822	2,050	13,872
Other comprehensive income (loss) for the period	-	-	-	-	-	-	55	-	(2,483)	-	-	(2,428)	(1,295)	(3,723)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	55	-	(2,483)	-	11,822	9,394	755	10,149
Bonus shares issued (note 7)	7,007	-	-	-	-	-	-	-	-	-	(7,007)	-	-	-
Purchase of treasury shares	-	-	(2,340)	-	-	-	-	-	-	-	-	(2,340)	-	(2,340)
Sale of treasury shares	-	-	11	-	-	2	-	-	-	-	-	13	-	13
Share based compensation expense	-	-	-	-	-	-	-	5	-	-	-	5	-	5
Balance as at 31 March 2011	147,140	129,559	(18,730)	40,365	40,743	36,569	8,787	554	(526)	4,739	42,279	431,479	117,493	548,972
Balance at 1 January 2010	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
Profit for the period (Restated)	-	-	-	-	-	-	-	-	-	-	1,062	1,062	2,019	3,081
Other comprehensive income (Restated)	-	-	-	-	-	-	1,195	-	528	-	-	1,723	616	2,339
Total comprehensive income for the period (Restated)	-	-	-	-	-	-	1,195	-	528	-	1,062	2,785	2,635	5,420
Cash dividend paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(2,745)	(2,745)
Sale of treasury shares	-	-	1,367	-	-	(531)	-	-	-	-	-	836	-	836
Share based compensation expense	-	-	-	-	-	5	-	-	-	-	-	5	-	5
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	19,057	19,057
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(27)	(27)
Balance as at 31 March 2010 (Restated)	104,133	64,759	(16,923)	39,872	40,250	36,765	13,642	543	11,203	-	34,857	329,101	129,506	458,607

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 31 March 2011 (Unaudited)

	Notes	Three months ended 31 March	
		2011 KD 000's	2010 KD 000's (Restated)
Operating activities			
Profit before taxation		17,320	5,502
Adjustments:			
Net investment loss (income)		10	(7,779)
Provision for impairment of loans and advances		4,432	22,505
Impairment of investment securities		1,265	23
Dividend income		(877)	(1,274)
Depreciation and amortisation		2,588	3,052
Share based compensation expense		5	5
Operating profit before changes in operating assets and liabilities		24,743	22,034
Changes in operating assets and liabilities:			
Treasury bills and bonds with CBK and others		21,497	51,784
Due from banks and other financial institutions		(69,803)	(5,908)
Loans and advances to customers		(14,223)	42,637
Other assets		6,596	9,935
Due to banks		(70,846)	8,374
Due to other financial institutions		(10,456)	50,173
Deposits from customers		(5,789)	(144,576)
Other liabilities		5,747	(38,590)
Taxation paid		(1,166)	(218)
Net cash used in operating activities		(113,700)	(4,355)
Investing activities			
Purchase of investment securities		(13,419)	(2,395)
Proceeds from sale of investment securities		13,614	4,135
Purchase of property and equipment, net of disposals		190	(909)
Dividends received		846	1,274
Acquisition of subsidiaries, net of cash acquired		-	88,932
Net cash from investing activities		1,231	91,037
Financing activities			
Other borrowed funds		(1,275)	(20,631)
Purchase of treasury shares		(2,340)	-
Sale of treasury shares		13	836
Cash dividend paid to non controlling interests		-	(2,745)
Other movement in non controlling interests		-	48
Net cash used in financing activities		(3,602)	(22,492)
Net (decrease) increase in cash and cash equivalents		(116,071)	64,190
Effect of foreign currency translation		(1,889)	(63)
Cash and cash equivalents at 1 January		624,939	434,354
Cash and cash equivalents at 31 March	3	506,979	498,481
Additional cash flow information:			
Interest received		41,979	44,009
Interest paid		21,638	31,081

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

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 31 March 2011 were authorised for issue in accordance with a resolution of the Board of Directors on 14 April 2011.

The principal activities of the Group are explained in note 10.

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 2010, except for the following revised Standards effective for annual periods beginning on or after 1 January 2011:

IAS 24 Related party disclosures (Revised)

The revised Standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. The adoption of this revised standard does not have any impact on interim condensed consolidated financial information.

IAS 34 Interim Financial Reporting (Revised)

Improvement to IAS 34 introduces the concept of "Significant events and transactions" and has brought in additional disclosures for changes in business and economic circumstances, transfers between levels of the fair value hierarchy used and changes in the classification of financial assets resulting from change in the purpose or use of those assets. Adoption of this improvement did not have any material impact on the financial position or performance of the Group.

The annual consolidated financial statements for the year ended 31 December 2010 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 2010. Further, results for the three months ended 31 March 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 31 March 2011 (Unaudited)****3. CASH AND CASH EQUIVALENTS**

	<i>31 March 2011 KD 000's</i>	<i>(Audited) 31 December 2010 KD 000's</i>	<i>31 March 2010 KD 000's</i>
Cash in hand and in current account with banks & other financial institutions (OFI's)	128,000	124,964	156,565
Balances with the CBK	1,688	907	1,767
Due from banks and OFI's maturing within thirty days	377,291	499,068	340,149
	<u>506,979</u>	<u>624,939</u>	<u>498,481</u>

4. INTANGIBLE ASSETS

During the year 2010, the Bank completed the PPA exercise for Algeria Gulf Bank S.P.A ("AGB") and allocated a portion of the provisional goodwill to various identifiable tangible and intangible assets and accounted the residual value as goodwill. Further, during the period ended 31 March 2011, the Bank has completed the PPA exercise for Bank of Baghdad P.J.S.C ("BoB") and there has been no change in the identifiable tangible and intangible assets as compared to the provisional PPA exercise performed as at 31 December 2010. Accordingly, the 31 March 2010 comparative information has been restated to reflect these adjustments as stated below.

	<i>Intangible assets</i>			<i>Non controlling interests</i>
	<i>Goodwill KD 000's</i>	<i>Other intangible assets KD 000's</i>	<i>Total intangible assets KD 000's</i>	<i>KD 000's</i>
At 31 March 2010 (As originally stated)	104,079	56,262	160,341	116,833
PPA and amortisation adjustment	(20,417)	34,449	14,032	12,673
At 31 March 2010 (<i>Restated</i>)	<u>83,662</u>	<u>90,711</u>	<u>174,373</u>	<u>129,506</u>

5. OTHER BORROWED FUNDS

	<i>Effective interest rate</i>	<i>31 March 2011 KD 000's</i>	<i>(Audited) 31 December 2010 KD 000's</i>	<i>31 March 2010 KD 000's</i>
Subordinated notes	8.125%	107,270	108,538	-
Other borrowing –subsidiary	4.6%	530	537	6,158
Long term subordinated borrowing	CBKDR + 1%	-	-	96,233
		<u>107,800</u>	<u>109,075</u>	<u>102,391</u>

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information****As at 31 March 2011 (Unaudited)****6. OTHER LIABILITIES**

	<i>31 March 2011 KD 000's</i>	<i>(Audited) 31 December 2010 KD 000's</i>	<i>31 March 2010 KD 000's</i>
Accrued interest payable	12,929	18,733	17,920
Staff benefits	8,584	8,371	7,189
Provision for non-cash credit facilities	21,375	21,500	12,451
Sundry creditors – subsidiaries	11,766	8,302	23,831
Other balances	76,746	66,465	50,168
	<u>131,400</u>	<u>123,371</u>	<u>111,559</u>

7. SHAREHOLDERS' EQUITY

a) The authorised, issued and fully paid up share capital of the Bank comprises 1,471,397,310 shares (31 December 2010: 1,401,330,766 shares and 31 March 2010: 1,041,330,766 shares) of 100 fils each.

b) Treasury shares

	<i>31 March 2011</i>	<i>(Audited) 31 December 2010</i>	<i>31 March 2010</i>
Number of shares held	<u>32,810,832</u>	<u>26,515,301</u>	<u>27,359,448</u>
Percentage of shares held	<u>2.23%</u>	<u>1.89%</u>	<u>2.63%</u>
Market value - KD 000's	<u>15,093</u>	<u>13,788</u>	<u>10,123</u>

c) Bonus shares

At the annual general meeting of the shareholders held on 15 March 2011, 5% bonus shares (2009: nil) for the year 2010 was approved and issued. This resulted in an increase in the number of authorised and issued shares by 70,066,544 shares and share capital by KD 7,007 thousand.

8. TAXATION

	<i>Three months ended 31 March</i>	
	<i>2011 KD 000's</i>	<i>2010 KD 000's</i>
National Labour Support Tax	308	49
Contribution to the Kuwait Foundation for the advancement of Science	111	18
Zakat	115	11
Taxation arising from overseas subsidiary companies	2,914	2,343
	<u>3,448</u>	<u>2,421</u>

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2011 (Unaudited)

9. 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 by the weighted average number of shares outstanding during the period less treasury shares.

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

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>
		<i>(Restated)</i>
Profit for the period attributable to equity holders of the Bank	<u>11,822</u>	<u>1,062</u>
Weighted average number of outstanding shares, net of treasury shares	<u>1,443,471,497</u>	<u>1,083,452,039</u>
Basic and diluted earnings per share (fils)	<u>8.2</u>	<u>1.0</u>

Basic and diluted earnings per share for the comparative period presented has been restated to reflect the effect of bonus shares issued on 15 March 2011 (note 7) and effect of bonus on rights shares issued in 2010.

10. SEGMENT INFORMATION

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

- Banking: incorporating private customer current account business current and savings accounts, 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.

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 31 March 2011 (Unaudited)
10. SEGMENT INFORMATION (continued)

The table below presents income and results and certain assets and liabilities information regarding the Group's operating segments.

	<i>Kuwait Operations</i>			<i>International</i>	<i>Group</i>
	<i>Treasury and investment</i>			<i>Operations</i>	<i>Total</i>
	<i>Banking</i> <i>KD 000's</i>	<i>banking</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
31 March 2011					
Net interest income	14,301	(659)	13,642	11,936	25,578
Segment operating income	18,365	1,108	19,473	19,329	38,802
Depreciation and amortisation expenses	(570)	(89)	(659)	(1,929)	(2,588)
Segment result before provisions	15,230	622	15,852	11,373	27,225
Write back of (provision for) impairment of loans and advances	683	(2,370)	(1,687)	(2,745)	(4,432)
Impairment of investment securities	-	(1,265)	(1,265)	-	(1,265)
Segment result after provisions	15,913	(3,013)	12,900	8,628	21,528
Unallocated expenses			(4,208)	-	(4,208)
Profit for the period before taxation			8,692	8,628	17,320
Total assets	1,564,918	946,839	2,511,757	1,565,642	4,077,399
Total liabilities	1,191,473	1,203,205	2,394,678	1,133,749	3,528,427
Intangible assets	-	-	-	179,937	179,937
	<i>Kuwait Operations</i>			<i>International</i>	<i>Group</i>
	<i>Treasury and investment</i>			<i>Operations</i>	<i>Total</i>
	<i>Banking</i> <i>KD 000's</i>	<i>banking</i> <i>KD 000's</i>	<i>Total</i> <i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
31 March 2010					
Net interest income	14,217	161	14,378	10,143	24,521
Segment operating income	17,607	9,538	27,145	16,017	43,162
Depreciation and amortisation expenses	(449)	(73)	(522)	(2,530)	(3,052)
Segment result before provisions	14,613	9,063	23,676	8,535	32,211
Provision for impairment of loans and advances	(20,246)	75	(20,171)	(2,334)	(22,505)
(Provision for) write back of impairment of investment securities	-	(426)	(426)	403	(23)
Segment result after provisions	(5,633)	8,712	3,079	6,604	9,683
Unallocated expenses			(4,181)	-	(4,181)
(Loss) profit for the period before taxation			(1,102)	6,604	5,502
Total assets	1,716,471	1,105,749	2,822,220	1,331,312	4,153,532
Total liabilities	1,133,922	1,656,268	2,790,190	904,735	3,694,925
Intangible assets	-	-	-	174,373	174,373

Burgan Bank Group

Notes to the Interim Condensed Consolidated Financial Information

As at 31 March 2011 (Unaudited)

11. 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 entities that are either controlled or significantly influenced by the Parent Company. The terms of these transactions are approved by the Group's management. The balances and transactions are as follows:

	<i>Parent Company</i>	<i>Others</i>	<i>31 March 2011</i>	<i>(Audited) 31 December 2010</i>	<i>31 March 2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Balances					
Due from banks and other financial institutions	-	152,708	152,708	146,761	163,525
Loans and advances to customers	-	108,737	108,737	100,574	33,000
Investment securities	5,139	34,203	39,342	41,171	42,458
Investment securities managed by a related party	-	550	550	577	617
Due to banks	-	2,875	2,875	1,461	25,767
Due to other financial institutions	-	46,347	46,347	19,353	28,414
Deposits from customers	4,257	38,266	42,523	13,490	48,186
Other borrowed funds	-	-	-	-	96,233
Commitments					
Letters of credit	-	1,520	1,520	1,539	-
Letters of guarantee	-	6,190	6,190	1,608	1,938
Transactions					
Interest income	27	2,557	2,584	7,108	1,228
Interest expense	225	220	445	3,289	804
Fee and commission income	82	125	207	348	24
Fee and commission expense	-	33	33	90	46
Dividend income	31	820	851	1,445	822
Other expenses	-	-	-	1,458	-
Board members					
Loans and advances		1	8	110	752
Deposits from customers		7	1,537	1,584	1,523
Group executive staff					
Loans and advances		17	417	421	489
Deposits from customers		26	1,492	1,124	988
Letters of guarantee		1	1	1	2

Burgan Bank Group**Notes to the Interim Condensed Consolidated Financial Information**

As at 31 March 2011 (Unaudited)

11. TRANSACTIONS WITH RELATED PARTIES (continued)**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) was as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2011</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Short term employee benefits – including salary and bonus	763	528
Accrual for end of service indemnity	194	130
	<u>957</u>	<u>658</u>

12. COMMITMENTS AND CONTINGENT LIABILITIES

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Acceptances	20,092	15,664	16,406
Letters of credit	263,966	235,058	192,758
Letters of guarantee	540,903	530,255	505,912
Undrawn commitments to extend credit	156,712	182,934	212,981
	<u>981,673</u>	<u>963,911</u>	<u>928,057</u>

13. 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.

The net positive (negative) fair value of the derivative instruments as at 31 March 2011 is KD 62 thousand (31 December 2010: KD 21 thousand and 31 March 2010: KD (67) thousand) and is included in the carrying amount of other assets (other liabilities).

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<i>2011</i>	<i>2010</i>	<i>2010</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
Derivatives held for trading:			
<i>(non-qualifying hedges)</i>			
Forward swaps / foreign exchange contracts	<u>10,265</u>	<u>2,131</u>	<u>10,557</u>