

**BURGAN BANK GROUP**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION**

**31 MARCH 2010 (UNAUDITED)**

## **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 31 March 2010, 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 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 three month period ended 31 March 2010.



WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
OF ERNST & YOUNG



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

19 April 2010

Kuwait

# Burgan Bank Group

## Interim Condensed Consolidated Statement of Financial Position

As at 31 March 2010 (Unaudited)

		31 March 2010 KD 000's	(Audited) 31 December 2009 KD 000's	31 March 2009 KD 000's (Restated)
<b>ASSETS</b>				
Cash and cash equivalents	3	704,504	602,088	466,720
Treasury bills and bonds with CBK and others		412,008	417,049	369,942
Due from banks and other financial institutions		399,521	407,427	875,030
Loans and advances to customers		2,203,044	2,246,949	2,235,429
Investment securities	4	141,159	140,952	110,984
Investment in an associate	5	-	15,434	-
Other assets		78,901	79,523	82,319
Property and equipment		40,146	36,664	30,969
Intangible assets	5	160,341	147,898	131,957
<b>TOTAL ASSETS</b>		<b>4,139,624</b>	<b>4,093,984</b>	<b>4,303,350</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
Due to banks		284,827	276,438	200,797
Due to other financial institutions		751,539	701,366	707,921
Deposits from customers		2,444,609	2,424,981	2,676,792
Other borrowed funds	6	102,391	123,022	182,282
Other liabilities	7	109,512	139,903	127,578
<b>TOTAL LIABILITIES</b>		<b>3,692,878</b>	<b>3,665,710</b>	<b>3,895,370</b>
<b>SHAREHOLDERS' EQUITY</b>				
Share capital	8	104,133	104,133	104,133
Share premium		64,759	64,759	64,759
Treasury shares	8	(16,923)	(18,290)	(18,324)
Statutory reserve		39,872	39,872	39,216
Voluntary reserve		40,250	40,250	39,594
Treasury shares reserve		36,765	37,296	37,288
Investments revaluation reserve		13,642	12,447	7,361
Share based compensation reserve	15	543	538	530
Foreign currency translation reserve		11,203	10,675	13,207
Retained earnings		35,669	33,795	39,884
Equity attributable to the equity holders of the Bank		329,913	325,475	327,648
Non controlling interests		116,833	102,799	80,332
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>446,746</b>	<b>428,274</b>	<b>407,980</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>4,139,624</b>	<b>4,093,984</b>	<b>4,303,350</b>



Majed Essa Al Ajeel  
Chairman



Raed A. Al-Haqhaq  
Acting Chief General Manager & Executive Officer

## Burgan Bank Group

### Interim Condensed Consolidated Income Statement

Period ended 31 March 2010 (Unaudited)

		<i>Three months ended</i>	
		<i>31 March</i>	
	<i>Notes</i>	<b>2010</b> <b>KD 000's</b>	2009 <i>KD 000's</i> <i>(Restated)</i>
Interest income		<b>43,139</b>	53,631
Interest expense		<b>(18,618)</b>	(31,930)
<b>Net interest income</b>		<b>24,521</b>	21,701
Fee and commission income		<b>8,172</b>	6,693
Fee and commission expense		<b>(486)</b>	(293)
<b>Net fee and commission income</b>		<b>7,686</b>	6,400
Net gain from foreign currencies		<b>1,016</b>	1,789
Net investment income (loss)	9	<b>7,779</b>	(385)
Dividend income		<b>1,274</b>	144
Other income		<b>886</b>	1,937
<b>Operating income</b>		<b>43,162</b>	31,586
Staff expenses		<b>(6,317)</b>	(5,287)
Other expenses		<b>(7,494)</b>	(5,181)
<b>Operating profit before provision</b>		<b>29,351</b>	21,118
Provision for impairment of loans and advances		<b>(22,505)</b>	(4,296)
Impairment of investments		<b>(23)</b>	(600)
<b>Profit before taxation</b>		<b>6,823</b>	16,222
Taxation	10	<b>(2,421)</b>	(2,507)
<b>Profit for the period</b>		<b>4,402</b>	13,715
<b>Attributable to:</b>			
Equity holders of the Bank		<b>1,874</b>	10,988
Non controlling interests		<b>2,528</b>	2,727
		<b>4,402</b>	13,715
<b>Basic earnings per share - attributable to the equity holders of the Bank</b>	11	<b>Fils</b> <b>1.9</b>	Fils 10.9
<b>Diluted earnings per share - attributable to the equity holders of the Bank</b>	11	<b>1.8</b>	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 31 March 2010 (Unaudited)

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>
		<i>(Restated)</i>
<b>Profit for the period</b>	<b>4,402</b>	13,715
<b>Other comprehensive income</b>		
Financial assets available for sale:		
Net fair value gain (loss)	<b>1,623</b>	(1,006)
Net transfer to income statement	<b>24</b>	419
Foreign currency translation adjustment	<b>692</b>	12,638
<b>Other comprehensive income for the period</b>	<b>2,339</b>	12,051
<b>Total comprehensive income for the period</b>	<b>6,741</b>	25,766
<b>Attributable to:</b>		
Equity holders of the Bank	<b>3,597</b>	19,049
Non controlling interests	<b>3,144</b>	6,717
	<b>6,741</b>	25,766

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 31 March 2010 (Unaudited)

	Attributable to the equity holders of the Bank											Restated Non controlling interest 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	Retained earnings KD 000's	Total KD 000's		
Balance at 31 December 2009	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
Profit for the period	-	-	-	-	-	-	-	-	-	1,874	1,874	2,528	4,402
Other comprehensive income	-	-	-	-	-	-	1,195	-	528	-	1,723	616	2,339
Total comprehensive income for the period	-	-	-	-	-	-	1,195	-	528	1,874	3,597	3,144	6,741
Cash dividend paid to non controlling interests	-	-	-	-	-	-	-	-	-	-	-	(2,745)	(2,745)
Sale of treasury shares	-	-	1,367	-	-	(531)	-	-	-	-	836	-	836
Share based compensation expense (note 15)	-	-	-	-	-	-	-	5	-	-	5	-	5
Acquisition of a subsidiary (note 5)	-	-	-	-	-	-	-	-	-	-	-	13,662	13,662
Net movement in non controlling interests	-	-	-	-	-	-	-	-	-	-	-	(27)	(27)
<b>Balance as at 31 March 2010</b>	<b>104,133</b>	<b>64,759</b>	<b>(16,923)</b>	<b>39,872</b>	<b>40,250</b>	<b>36,765</b>	<b>13,642</b>	<b>543</b>	<b>11,203</b>	<b>35,669</b>	<b>329,913</b>	<b>116,833</b>	<b>446,746</b>
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	-	-	-	-	-	-	-	-	-	10,988	10,988	2,727	13,715
Other comprehensive income	-	-	-	-	-	-	(120)	-	8,181	-	8,061	3,990	12,051
Total comprehensive (loss) income	-	-	-	-	-	-	(120)	-	8,181	10,988	19,049	6,717	25,766
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	-	-	23	-	-	2	-	-	-	-	25	-	25
Share based compensation expense (note 15)	-	-	-	-	-	-	-	46	-	-	46	-	46
Balance as at 31 March 2009	104,133	64,759	(18,324)	39,216	39,594	37,288	7,361	530	13,207	39,884	327,648	80,332	407,980

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 31 March 2010 (Unaudited)

	<i>Three months ended 31 March</i>	
<i>Notes</i>	<b>2010</b>	<b>2009</b>
	<b>KD 000's</b>	<b>KD 000's</b>
		<i>(Restated)</i>
<b>Operating activities</b>		
Profit before taxation	<b>6,823</b>	16,222
Adjustments:		
Net investment (income) loss	<b>(7,779)</b>	385
Provision for impairment of loans and advances	<b>22,505</b>	4,296
Impairment of investment securities	<b>23</b>	600
Dividend income	<b>(1,274)</b>	(144)
Depreciation and amortisation	<b>1,731</b>	1,577
Provision for share based compensation	<b>5</b>	46
	<b>22,034</b>	22,982
<b>Operating profit before changes in operating assets and liabilities</b>	<b>22,034</b>	22,982
Changes in operating assets and liabilities:		
Treasury bills and bonds and Central bank bonds	<b>51,784</b>	17,436
Due from banks and other financial institutions	<b>32,381</b>	(342,618)
Loans and advances to customers	<b>42,637</b>	(106,735)
Other assets	<b>9,935</b>	(6,374)
Due to banks	<b>8,374</b>	8,535
Due to other financial institutions	<b>50,173</b>	104,697
Deposits from customers	<b>(144,576)</b>	260,691
Other liabilities	<b>(38,590)</b>	(22,597)
Taxation paid	<b>(218)</b>	-
Net cash from (used in) operating activities	<b>33,934</b>	(63,983)
<b>Investing activities</b>		
Purchase of investment securities	<b>(2,395)</b>	(107,297)
Proceeds from sale of investment securities	<b>4,135</b>	102,145
Purchase of property and equipment (net of disposals)	<b>(909)</b>	(1,250)
Dividends received	<b>1,274</b>	144
Acquisition of a subsidiary, net of cash acquired	<b>88,932</b>	-
Net cash from (used in) investing activities	<b>91,037</b>	(6,258)
<b>Financing activities</b>		
Other borrowed funds	<b>(20,631)</b>	(15,661)
Purchase of treasury shares	<b>-</b>	(1,758)
Sale of treasury shares	<b>836</b>	25
Cash dividend paid to non controlling interests	<b>(2,745)</b>	(1,900)
Net cash used in financing activities	<b>(22,540)</b>	(19,294)
Effect of foreign currency translation	<b>(63)</b>	5,300
Net movement in non controlling interests	<b>48</b>	-
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>102,416</b>	(84,235)
Cash and cash equivalents at 1 January	<b>602,088</b>	550,955
<b>Cash and cash equivalents at 31 March</b>	<b>704,504</b>	466,720

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 31 March 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 31 March 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 19 April 2010.

The principal activities of the Group are explained in note 12.

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 three months ended 31 March 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>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
Cash in hand and on current account with banks & other financial institutions (OFI's)	<b>156,565</b>	212,716	152,886
Balances with the CBK	<b>1,767</b>	555	903
Due from banks and OFIs maturing within 30 days	<b>546,172</b>	388,817	312,931
	<b><u>704,504</u></b>	<u>602,088</u>	<u>466,720</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, 31 March 2009: 14,613 thousand) from the '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 81 thousand (31 December 2009: loss of KD 139 thousand and 31 March 2009: loss of KD 1,180 thousand) in respect of the reclassified financial assets in 'Cumulative changes in fair values' within other comprehensive income.

Had the Group not implemented these amendments, unrealised gain of KD 220 thousand (three month period ended 31 March 2009: KD 51 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 31 March 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 accordingly the Bank's equity interest in BoB increased to 51.79%. Therefore, BoB has become a subsidiary of the Group and has been consolidated from the date of exercise of control. BoB is incorporated in the State of Iraq and having commercial banking as its principal activity and is listed on Iraq Stock Exchange.

The business combination was achieved in stages. The Bank re-measured its previously held equity interest in the acquiree ("BoB") at the acquisition-date fair value and recognised the resulting gain of KD 7,914 thousand, net of acquisition related expenses of KD 43 thousand in the interim condensed consolidated income statement as part of "Net investment income (loss)".

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

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

As at 31 March 2010 (Unaudited)

**5. BUSINESS COMBINATION (continued)**

	<i>KD 000's</i>
<b>Assets</b>	
Cash and cash equivalents	92,527
Treasury bills and bonds	46,743
Due from banks and other financial institutions	24,351
Loans and advances to customers	21,361
Investment securities	644
Other assets	9,313
Property and equipment	3,615
	<u>198,554</u>
<b>Liabilities</b>	
Due to banks	15
Deposits from customers	164,204
Other liabilities	5,996
	<u>170,215</u>
<b>Net assets acquired</b>	<u>28,339</u>
Consideration transferred	3,595
Non controlling interest in the acquiree	13,662
Fair value of acquirer's previously held equity interest	23,390
	<u>40,647</u>
Net assets acquired	<u>(28,339)</u>
<b>Provisional goodwill</b>	<u><b>12,308</b></u>
Consideration settled in cash	(3,595)
Cash and cash equivalents in subsidiary acquired	92,527
Cash inflow on acquisition	<u><b>88,932</b></u>

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

As a result of BoB becoming a subsidiary of the Group, the interim condensed consolidated income statement of the Group includes the following income and expenses of BoB from the date of control.

	<i>KD 000's</i>
Interest income	1,217
Interest expense	(377)
<b>Net interest income</b>	<u>840</u>
Net fee and commission income	342
Net gains from foreign currencies	368
Other income	11
<b>Operating income</b>	<u>1,561</u>
Staff expenses	(350)
Other expenses	(407)
<b>Profit for the period</b>	<u><u>804</u></u>

**6. OTHER BORROWED FUNDS**

	<i>Effective Interest rate</i>	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
Long term subordinated borrowing	CBKDR + 1%	<b>96,233</b>	96,233	96,233
Other borrowing –subsidiary	8.2% - 8.6%	<b>6,158</b>	6,114	6,210
Medium term EURO borrowing due 2010	1.683%	-	20,675	19,394
Medium term USD borrowing due 2009	LIBOR + 0.450%	-	-	45,880
Medium term USD borrowing due 2009	LIBOR + 0.300%	-	-	14,565
		<b>102,391</b>	123,022	182,282

**7. OTHER LIABILITIES**

	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
Accrued interest payable	<b>17,920</b>	30,383	32,852
Staff benefits	<b>7,189</b>	4,606	7,162
Provision for non-cash credit facilities	<b>12,451</b>	11,197	9,865
Sundry creditors – subsidiary	<b>23,831</b>	38,726	41,065
Other balances	<b>48,121</b>	54,991	36,634
	<b>109,512</b>	139,903	127,578

**8. EQUITY**

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

b) Treasury shares

	<i>31 March 2010</i>	<i>(Audited) 31 December 2009</i>	<i>31 March 2009</i>
Number of shares held	<b>27,359,448</b>	29,570,769	29,629,491
Percentage of shares held	<b>2.63%</b>	2.84%	2.85%
Market value - KD 000's	<b>10,123</b>	9,906	11,259

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

c) Capital increase

The ordinary and extraordinary general meeting of shareholders held on 11 January 2010 approved the increase of the Bank's share capital through the issuance of 360 million ordinary shares at 100 fils par value and share premium of 180 fils per share. During the current period the Bank has obtained all necessary approvals for the increase in capital and accordingly the subscription period for the rights issue commenced from 13 April 2010.

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.

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

As at 31 March 2010 (Unaudited)

**9. NET INVESTMENT INCOME (LOSS)**

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>
Net loss from financial assets at fair value through profit or loss	(19)	(207)
Net loss from financial assets available for sale	(116)	(178)
Gain on fair valuation of previously held equity interest in BoB (note 5)	7,914	-
	<u>7,779</u>	<u>(385)</u>

**10. TAXATION**

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD 000's</i>	<i>KD 000's</i>
National Labour Support Tax	49	295
Contribution to the Kuwait Foundation for the advancement of Science	18	107
Zakat	11	119
Taxation arising outside Kuwait	2,343	1,986
	<u>2,421</u>	<u>2,507</u>

**11. EARNINGS PER SHARE**

Basic 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. Diluted earnings per share is computed by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares and also adjusted for the rights issue under subscription.

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

	<i>Three months ended 31 March</i>	
	<i>2010</i>	<i>2009</i>
	<i>KD'000</i>	<i>KD'000</i>
		<i>(Restated)</i>
Profit for the period attributable to equity holders of the Bank	<u>1,874</u>	<u>10,988</u>
	<i>Shares</i>	<i>Shares</i>
Number of shares outstanding:		
Weighted average number of paid up shares	1,041,330,766	1,041,330,766
Weighted average number of treasury shares	(29,310,462)	(28,835,094)
Weighted average number of outstanding shares	<u>1,012,020,304</u>	<u>1,012,495,672</u>
Effect of rights issue under subscription (note 8)	2,689,992	-
Weighted average number of outstanding shares adjusted for effect of dilution	<u>1,014,710,296</u>	<u>1,012,495,672</u>
Basic earnings per share (fils)	<u>1.9</u>	<u>10.9</u>
Diluted earnings per share (fils)	<u>1.8</u>	<u>10.9</u>

**12. 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 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>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>31 March 2010</b>				
Net interest income	14,217	161	10,143	<b>24,521</b>
Segment operating income	<u>17,607</u>	<u>9,538</u>	<u>16,017</u>	<b>43,162</b>
Segment result before provisions (Provision for) write back of impairment of loans and advances	14,613	9,063	9,856	<b>33,532</b>
Impairment of investment securities	(20,246)	75	(2,334)	<b>(22,505)</b>
Segment result	<u>-</u>	<u>(426)</u>	<u>403</u>	<b>(23)</b>
Unallocated expenses	(5,633)	8,712	7,925	<b>11,004</b>
Profit for the period before taxation				<u><b>6,823</b></u>
Segment assets	<u>1,716,471</u>	<u>1,105,749</u>	<u>1,317,404</u>	<b>4,139,624</b>
Segment liabilities	<u>1,133,922</u>	<u>1,656,268</u>	<u>902,688</u>	<b>3,692,878</b>

	<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>(Restated)</i>
<b>31 March 2009</b>				
Net interest income	12,172	1,581	7,948	21,701
Segment operating income	<u>16,666</u>	<u>3,372</u>	<u>11,548</u>	31,586
Segment result before provisions Write back of (provision for) impairment of loans and advances	13,668	2,223	7,162	23,053
Impairment of investment securities	743	(5,208)	169	(4,296)
Segment result	<u>-</u>	<u>(600)</u>	<u>-</u>	<b>(600)</b>
Unallocated expenses	14,411	(3,585)	7,331	18,157
Profit for the period before taxation				<u><b>(1,935)</b></u>
Segment assets	<u>1,832,597</u>	<u>1,557,020</u>	<u>913,733</u>	<b>4,303,350</b>
Segment liabilities	<u>1,171,907</u>	<u>2,043,364</u>	<u>680,099</u>	<b>3,895,370</b>

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

As at 31 March 2010 (Unaudited)

**13. TRANSACTIONS WITH RELATED PARTIES**

These represent transactions with related parties, i.e. Parent Company, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Related party balances and transactions consist of the following:

	<i>Parent company KD 000's</i>	<i>Others KD 000's</i>	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
<b>Balances</b>					
Due from banks and other financial institutions	-	163,525	<b>163,525</b>	179,499	170,366
Loans and advances to customers	-	33,000	<b>33,000</b>	35,800	37,430
Investment securities	3,889	38,569	<b>42,458</b>	19,689	10,468
Investment securities managed by a related party	-	617	<b>617</b>	652	902
Due to banks	-	25,767	<b>25,767</b>	15,216	2,697
Due to other financial institutions	-	28,414	<b>28,414</b>	7,146	15,207
Deposits from customers	38,867	9,319	<b>48,186</b>	101,503	81,087
Other borrowed funds	-	96,233	<b>96,233</b>	96,233	96,233
<b>Off balance sheet items</b>					
Letters of credit	-	-	-	-	69
Letters of guarantee	-	1,938	<b>1,938</b>	2,707	4,176

	<i>Parent company KD 000's</i>	<i>Others KD 000's</i>	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
<b>Transactions</b>					
Interest income	-	1,228	<b>1,228</b>	9,135	2,136
Interest expense	114	690	<b>804</b>	6,020	478
Fee and commission income	1	23	<b>24</b>	336	224
Fee and commission expense	-	46	<b>46</b>	956	39
Dividend income	-	822	<b>822</b>	251	-

	<i>No. of Board members / Group executive staff</i>	<i>31 March 2010 KD 000's</i>	<i>(Audited) 31 December 2009 KD 000's</i>	<i>31 March 2009 KD 000's</i>
<b>Board members</b>				
Loans and advances	2	<b>752</b>	989	200
Deposits from customers	5	<b>1,523</b>	1,455	2,919
<b>Group executive staff</b>				
Loans and advances	20	<b>489</b>	492	481
Deposits from customers	23	<b>988</b>	951	652
Commitments and contingencies	2	<b>2</b>	3	4

**13. 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) are as follows:

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2010</b>	<b>2009</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Short term employee benefits – including salary & bonus	<b>528</b>	506
Accrual for end of service indemnity	<b>130</b>	130
Accrual for cost of long term incentive rights	-	28
	<b>658</b>	664

**14. OFF BALANCE SHEET FINANCIAL INSTRUMENTS**

Financial instruments with contractual amounts representing credit risk. The Group has the following credit related commitments:

	<i>(Audited)</i>		
	<i>31 March</i>	<i>31 December</i>	<i>31 March</i>
	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
Acceptances	<b>16,406</b>	22,191	192,304
Letters of credit	<b>192,758</b>	173,895	77,138
Letters of guarantee	<b>505,912</b>	462,861	483,303
Undrawn commitments to extend credit	<b>212,981</b>	141,694	201,263
	<b>928,057</b>	800,641	954,008

**15. SHARE BASED COMPENSATION**

The Bank operates two share based compensation plans for its employees, namely a discounted share purchase plan (DSPP) and an employee share option scheme (ESOP).

The DSPP scheme is available for all employees who have completed a minimum of one year employment with the Bank and is subject to meeting certain performance conditions. Eligible employees under the DSPP can purchase the bank's shares at a predetermined discount with a lock-in period of 5 years.

The ESOP scheme is available only for employees who hold certain specified posts within the Bank. Eligible employees are granted the option to purchase a predetermined number of the Bank's shares at a specified exercise price; the exercise of the option is subject to meeting certain performance conditions; and the option is valid for 5 years from the date of its grant.

The fair value of the options is estimated using a Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.

The number of shares allowed to be granted per issue under both schemes is not to exceed 5,000,000 shares in total and not to exceed 10% of total share capital on a single issue or on a 10 years cumulative basis.

**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 balance sheet 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 (negative) / positive fair value of the derivative instruments as at 31 March 2010 is KD (67) thousand (31 December 2009: KD (3) thousand and 31 March 2009: KD 3 thousand) and is included in the carrying amount of the (other liabilities) / other assets.

**31 March 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>Derivatives held for trading (non-qualifying hedges)</i>			
Forward swaps/ foreign exchange contracts	<b>10,557</b>	<b>10,557</b>	-

**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 000s</i>	<i>KD 000s</i>
<i>Derivatives held for trading (non-qualifying hedges)</i>			
Forward swaps/ foreign exchange contracts	1,447	1,447	-

**31 March 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>Derivatives held for trading (non-qualifying hedges)</i>			
Forward swaps/ foreign exchange contracts	24,557	24,557	-