



The Arab Investment and Export Credit Guarantee Corporation (Dhaman) is an autonomous Arab regional organization established in 1974, in accordance with a multilateral Convention signed by a number of Arab states, deposited with the Ministry of Foreign Affairs in the State of Kuwait. With its headquarters in Kuwait and a regional office in Riyadh, Dhaman commenced its operations in mid-1975, encompassing in its membership all Arab states, and a number of Arab international organizations.

OBJECTIVES:

In accordance with its establishment convention, Dhaman's two key objectives are:

- To provide insurance coverage against non-commercial risks for inter-Arab and foreign investments in development projects, in Arab countries. Furthermore, Dhaman provides insurance against commercial and non-commercial risks, for inter-Arab and worldwide Arab export credits.
- To raise awareness of investments in Arab countries by means of a group of complementary activities and ancillary services, aiming at enhancing the business environment & investment climate; identifying available investment opportunities, and developing human capital in Arab countries.

In fulfillment of such objectives, Dhaman provides, wholly or partially, finance to insured operations through factoring, debt collection, insuring bonds, franchises, licenses, and intellectual property rights. In addition to possessing shares and equities in the Arab public and private national guarantee agencies, establishing information corporations, establishing or co-establishing special investment funds owned by governments or institutions in contracting countries.

On April 11th, 2011, Standard & Poor's Rating Services affirmed its "AA" rating for Dhaman's counterparty credit rating as well as its financial strength rating as an insurer. However due to Dhaman's exposure in some Arab countries with political uncertainties, in terms of insured transactions, S&P revised its outlook to "negative" from "stable". Dhaman obtained the same long-term rating on March 25th, 2010, with a "stable" outlook.

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Dhaman's Structure

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) consists of the following organizational structure:

1. The Shareholders' Council (General Assembly)

The Shareholders' Council is the highest authority of Dhaman. It represents all members (states and entities) and fully entitled to achieve Dhaman's objectives. The Council, among other authorities, formulates general policies governing Dhaman's activities, interprets and amends provisions of the establishment Convention, and appoints members of the Board of Directors and the Director-General.

2. The Board of Directors

The Board of Directors consists of eight part-time members, appointed by the Shareholders' Council for a three-year term. The Board elects one of its members as its Chairman.

Within its authorities provided in the Convention, the Board prepares the financial and administrative rules for Dhaman, approves the operations and research programs suggested by the Director-General, and pursues its implementation. It determines utilization of Dhaman's capital. It also sets the annual budget and presents the annual report including Dhaman's activities to the Shareholders' Council.

The current members of the Board of Directors:

H.E. Mr. Nassir Ben Mohamad Al Quhtani	Chairman
H.E. Mr. Adnan Issa Al-Khudair	Member
H.E. Mr. Ali Ramadan Ashnebish	Member
H.E. Mr. Ahmed Mahmoud Alhammadi	Member
H.E. Mr. Sultan Salim Saeed Alhabsi	Member
H.E. Dr. Ali Abdel Aziz Soliman	Member
H.E. Mr. Jabbar W. Hasan	Member
H.E. Mr. Mohamed Djahdou	Member

3. The Director-General

H.E. Mr. Fahad Rashid Al Ibrahim

4. Professional and Administrative Staff

His Excellency the Chairman of the 38th Session of the Shareholders' Council of the Arab Investment and Export Credit Guarantee Corporation (Dhaman),

In accordance with Article (12/1) (e) of the Arab Investment and Export Credit Guarantee Corporation's Convention, it is my pleasure to submit to your honorable Council for consideration the Annual Report of the Board of Directors on the activity of Dhaman for the year 2010.

Please accept my highest consideration,



Nassir Ben Mohamad Al Quhtani

Chairman of the Board of Directors

Damascus, Syria, April 2011

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Chapter One: Overview of Global and Arab Economic Developments

1- Global Economy

The world economy is emerging, during the year 2010, from the deepest recession caused by 2007-09 global financial and economic crisis, as the global economic activities, according to preliminary estimates by the International Monetary Fund (IMF), expanded by real growth rate of 5.0% in 2010 compared to a negative one of 0.5% in 2009. This initial recovery is mainly attributable to a positive real growth rate restored in the **advanced economies group**, at sluggish pace of 3.0% in 2010, from negative 3.4% in 2009. On the other hand, the **other emerging markets and developing economies proved** resilience through the global financial crisis that owes much to sound economic policy implementation. When the crisis hit, countries were able to use fiscal and monetary policies nimbly to dampen the adverse effects of the sudden shifts in world trade, prices, and financial flows. Thus, growth in 2010 is expected to be broad based, reaching, approximately, 7.3%, above the global economy growth rate, compared with 2.7% in 2009. This was an outcome of realizing relatively rapid growth rates in many countries, such as Russia with 4.0%, China 10.3%, India 10.4%, as well as the domestic demand is expected to remain strong on the basis of rising real incomes and sustained private and public investment. In addition, exports are expected to benefit from the increased reorientation of trade toward fast-growing markets in Asia. In the light of restoring the global economy a positive real growth rate, global nominal GDP is projected to reach approximately USD 62.9 trillion, up from USD 57.9 trillion in 2009.

As for the **inflation rate**, measured by the Consumer Price Index on an average annual basis, it went up slightly, in the **advanced economies group** from 0.1% in 2009 to 1.6% in 2010 as well as in **other emerging markets and developing economies**, since it increased to 6.2%, from 5.2% in 2009. This is mainly attributable to less global inflationary pressure caused by a combination of continued excess capacity and higher unemployment, along with a slight recovery in the foodstuffs and agricultural crops' prices during 2010.

Raw material prices

The price index for raw materials (2005=100) increased by 26.1% during 2010. This increase is attributed to the rise in the price index of energy at a rate of 26.0%, foodstuffs, including: beverages and industry inputs by 26.3%, and metals & agricultural crops of 43.2%. A jump in metals prices is an outcome of uneven increase in all metals prices except for Uranium, headed by; Iron by 83.9% Tin by 49.7%, Nickel by about 48.6%, Copper by 45.9%, Zinc by 30.3%, Aluminum by 30.2%, Lead by 24.9%, whilst Uranium price went down by 1.5%. As a result of weathering the storm, all metals prices, with exception of Tin and Nickel, are expected to go up during 2011, but in a slower pace, due to the expected revivals in global demand levels as a result of a slow recovery of the global economy.

Crude oil prices

Based on arithmetic average spot prices for Brent, Dubai and West Texas crude oil, the crude oil prices, have increased by 27.9% in 2010 against negative price growth of 36.3% in 2009. The average annual price for spot OPEC crude basket during 2010 recorded USD 79.03/barrel, compared to USD 61.8/barrel, during 2009. Looking ahead, it is expected for the oil prices to rise, in 2011, due mainly to the expected global economic recovery.

The global financial system is still suffering from high levels of uncertainty and remains the weakest point of the economic recovery. The recent turmoil in sovereign debt markets in Europe highlighted increased vulnerabilities of bank and sovereign balance sheets arising from the crisis. The financial situation has subsequently improved, owing to the forceful response by policymakers which helped to stabilize funding markets and reduce sudden risk, but substantial market uncertainties persist.

Although the world economy situation is improving, yet the recovery remains fragile, as most advanced economies and some emerging markets economies still face large adjustments including; the need to strengthen household sector budget balance, stabilize and/or reduce high public debt, reform their financial sectors. Also the legacy of the global financial crisis is evident in macroeconomic indicators in developing countries. Unemployment has risen substantially in countries with more

developed manufacturing sectors. Fiscal balances have deteriorated, particularly in middle-income countries and oil exporters. Exports have also not yet climbed back to pre-crisis levels. Credit growth remains subdued. Risks remain weighted on the downside. Globally, the recovery in advanced countries still looks shaky and financing flows could be jeopardized by fiscal retrenchment in these countries. Nevertheless, sovereign balance sheets are highly vulnerable to growth shocks, making debt sustainability less certain. In this context, policymakers must tackle the following key reforms in order to ensure a viable global financial system and safeguard the recovery: 1) deal with the legacy problems in the banking sector, including, where necessary, recapitalization; 2) strengthen the fundamentals of sovereign balance sheets; and 3) continue to clarify and specify regulatory reform, building on the substantial improvements proposed by the Basel Committee on Banking Supervision (BCBS).

On the level of macroeconomic policies, the fiscal stimulus policies undertaken to counterpart the 2007-09 crisis have become at the same time a source of concern and many countries have plans to adopt an exit strategy of the policy stimuli. Thus, expansionary monetary policy should be the first line of defense against any larger than projected activities shrinkage as fiscal support diminishes. In addition to an urgent correction of exchange rate misalignment in many countries as it represents the much-needed incentive measures to maintain the momentum of economic recovery and rebalancing global growth.

The year also witnessed sustained surpluses in current accounts in China, Russia, Japan, newly industrialized countries and most of MENA oil exporting countries on one hand and improved deficits in most European countries and Australia, on the other. Such improvements are typically at the expense of the counterpart deficits emerged after the global crisis and have been continued in some developed countries like Canada, while realized more deterioration in others like in USA and UK.

Foreign direct investment (FDI) inflows in 2010

Based on preliminary estimates, in January 2011, by the United Nations Conference on Trade and Development (UNCTAD), after declining in 2009 by 37% to USD 1.11 Trillion from USD 1.77 Trillion, global FDI inflows are estimated to increase slightly by 0.7% reaching to USD 1.122 Trillion in 2010, still be 25% lower than the average of pre-crisis levels and 46.6% less than those in the peak year of 2007. Such stagnated FDI is mainly attributable to the negative consequences of the global financial crisis, featured notably by; a reaction of transitional corporations (TNCs), to disappointing economic news and turmoil in sovereign debt markets, transferred resources invested out of many host countries, especially in euro-zone. This was clearly reflected in a drop in inter-company lending or borrowing, one of the three components of FDI flows, as parents firms were repaid loans from their affiliates with aim at strengthening their balance sheets positions at home country. Likewise, reinvested earnings tumbled as firms repatriated a larger share of the earnings of their foreign affiliates. While data for cross-border merger and acquisitions' deals (M&As) indicate a jump of 37% in 2010, the international greenfield investment projects fell both in number and value, suggesting that a sustained FDI recovery, in future, is still fraught with uncertainty. Such uncertainty is aggravated by new unfavorable circumstances that may negatively impact FDI flows, such as currency war and more application towards trade protectionism.

The stagnant FDI flows in 2010 reflected uneven pattern among countries and regions. A notable characteristic of trends during the year 2010 is that, for the first time ever, developing and transition economies received more than that half of global FDI flows. This is attributable to a strong rebound in FDI flows to **developing Asia and Latin America** offset a further decline in inflows to developed countries. Thanks to a relatively fast economic recovery and increasing south-south flows, FDI flows to **developing economies group** is set to rise some 10% in 2010, reaching USD 525 billion, equivalent to 47% of total world FDI inflows comparing to USD 478 billion and only 43% of the 2009 total. As for the **transition economies of South-East Europe and the Commonwealth of Independent States (CIS)**, FDI flows returned to growth in this group of countries as it is projected to have a marginal increase by roughly 1% in 2010. On the contrary, **developed countries group** did not return to FDI growth in 2010 as FDI inflows to this group of countries is set to fall about 7% compared with inflows a year earlier, reaching USD 527 billion in 2010 comprising 47% of total world FDI inflows against 51% in 2009. While there is expected robust recovery in FDI flows to



some advanced economies, most notably, USA by more than 40% over 2009 levels, a notable decline is foreseen in Japan and most of European countries.

According to the **Institute of International Finance (IIF)**, the net private capital flows to 30 emerging economies, which includes; Egypt, Lebanon, Morocco, Saudi Arabia, and UAE, are projected to be markedly increased by 42% to reach USD 825 billion in 2010 compared to USD 581 billion in 2009. Such rise is an outcome of:

- A remarkable jump in the portfolio investment inflows, on a net basis, by more than 25% to reach USD 187 billion, against USD 149 billion in 2009.
- A modest recovery in the FDI flows relative to 2009, on a net basis, by more than 7% in 2010 reaching USD 367 billion, as a result of the revival in corporate earnings, compared to USD 342 billion in 2009. The main reason for this relative sluggishness is undoubtedly the weak overall global investment environment.
- An increase in the cross-border banks and Non-bank private sector financial institutions lending to borrowers in emerging market economies, amounting, on a net basis, USD 272 billion, about 33% of the net private capital flows, compared to USD 91 billion in 2009, net. Non-bank lending has recovered more vigorously than bank lending as the latter accounted for only USD 85 billion of the total.

As for the **international trade** performance, the world trade volume of goods and services notably increased compared to the level of the two previous years. It realized positive growth rate of 18.6% in 2010 compared to a negative growth rate of 20.1% in 2009 and a positive growth rate of 2.9% in 2008. Consequently, the value of world exports of goods and services notably jumped from USD 15.8 trillion in 2009, to USD 18.7 trillion in 2010.

Foreign exchange markets

During the year 2010 the USD exchange rate experienced significant volatility against major currencies. Financial turbulence and sovereign debt turmoil in European markets led to sharp currency movements in the first half of 2010, as the US dollar appreciated against Euro, Yen and emerging markets currencies. The US dollar went up to 0.84 Euro. But that did not last long, quickly dropped the dollar exchange rate during the second half of 2010, as the markets moved away from so-called safe haven currencies and back towards growth investments. After encountering the European Union strict austerity programs against crisis, the US dollar reached 0.71 Euro. Such decline was also helped by the ongoing “currencies war”, in which, Central Banks around the globe are currently competing with each other to devalue their currencies. This war was heated up last September with Japan’s entry into the game, as the Yen weakened briefly in April but has been appreciating since then reaching above 2007 levels, prompting the authorities to intervene in exchange markets due to concerns about disruptive Yen movements. Also, most of emerging Asian currencies, including the Chinese Renminbi, appreciated modestly. Since mid-December 2010, the US dollar returned to rise strongly indicating a recovery of the US economy.

The export credit insurance and investment guarantee industry

As a matter of fact, the global economic recovery is proceeding broadly as expected, but downside risks remain elevated. Accordingly, the worldwide demand levels for export credit insurance and investment guarantee have increased as exporters, investors, and lenders have been increasingly looking to credit and investment insurance as a tool to mitigate risk in these uncertain times. At the Berne Union Annual General Meeting in Cape Town from 8-12 November, worldwide credit insurers and investment guarantors projected a continuing strong demand for their risk mitigation products in 2010, anticipating their support for global trade and investment to reach pre-crisis levels or beyond as economic growth has globally bounced back, especially in Asia. During the 1st half of 2010, the global short term export credit insurance, medium/long term export credit insurance/lending and investment guarantee market witnessed further expansion in its all lines of business operations to meet the increasing global demand level combined with an ample risk appetite by ECAs. Another positive prospective has been a decrease in claims and defaults on cross-border transactions. the regulatory changes proposed in Basel III has been of greater concern to worldwide ECAs as the current Basel formulation could reduce trade finance capacity, which would be counter to the policies

of most governments to maintain global trade flows and inconsistent with the solid performance of trade finance over the crisis.

The following is the recent data disseminated by the 49 members of the **International Union of Credit and Investment Insurers (The Berne Union)**, which was established in 1934 and includes international, regional and national agencies from 43 countries. Members are both private companies, offering risk management solutions, state-backed ECAs focusing upon the support of national export and investment flows. Despite a significant rise in claims for non-payment by buyers in 2009 to reach USD 5.5 billion against USD 2.3 billion a year earlier, worldwide investment guarantee and export credit agencies have continued providing high volumes of credit and investment insurance support in 2009 amounting USD 1.4 trillion. This was a remarkable achievement given the sharp fall in global trade volumes, compared to USD 1.5 trillion worth of business at the end of 2008, USD 1.3 trillion in 2007, and USD 1.1 trillion in 2006 in a row, which is continued to represent a 10% share of total world export trade. The guarantees are spread between USD 1.1 trillion of short term export credit insurance compared to USD 1.3 trillion in 2008, and USD 191 billion of medium/long term export credit insurance & lending against USD 154 billion, and USD 49 billion for investment guarantee compared to USD 58.5 billion in 2008, which is equivalent to 3.9% and 3.6% of the two previous years totals. While, the recovered compensations during 2009 dropped to USD 4.4 billion against USD 7.6 billion in 2008, the compensations paid remarkably went up to USD 5.5 billion against USD 2.3 billion a year earlier.

2- Arab Economy

Arab economic developments

With the global economy on the mend, prospects for Arab region have improved and estimates for growth in 2010 are generally encouraging. Almost every country in the region is projected to grow faster in 2010. Preliminary estimates by the International Monetary Fund (IMF) point to robust growth in Arab region as its rate is set to reach, on average, 3.8% during 2010 compared to about 1.8% in the previous year. This was an outcome of; three oil exporters and one oil importer recorded significant growth rates ranging between 7%-16% from one hand, others registered growth rates around 5%, while the remaining recorded lower than 4%, where the recovery remains much more subdued on the other. After a ten year growth rates outpacing the global ones, for the first time, the Arab economy's growth rate is lower than those of developing countries group and the world.

Inflation in Arab countries, measured by **Consumer Price Index**, decreased slightly, on an average annual basis, to reach around 7.1% in 2010, compared to 7.5% in 2009. This was an outcome of a slow recovery in domestic and credit demand in most Arab countries and a slow growth rate in imports as opposed to that of exports on one hand, and an increase in international prices of energy, metals, agricultural crops and foodstuffs, on the other.

Aiming at stimulating domestic demand and revive private sector credit growth, under expectation of this pickup in growth, most of the region's countries intend to maintain an expansionary monetary policy for some time, while planning to exit from fiscal stimulus by 2011. However, some countries, especially oil importer countries, may need to tighten macroeconomic policies earlier, given signs of inflationary pressures, lack of additional fiscal stance, or high domestic and/or external debt levels.

The rise in raw material prices, headed by oil prices, combined with an expected withdrawal from fiscal stimulus is set to lead to a jump in current account surpluses for some of oil exporting countries, a tighten current account deficits for some of oil importing countries, while remains stable in others. The combination of a drop in outflows of capital and an increase in inward FDI will lead to building up large stocks of international reserves. As a result, the reserves are set to grow by 5.3% to reach USD 958 billion in 2010 compared to USD 910 billion in 2009.

Foreign direct investment inflows to Arab Countries

The aggregate FDI pattern of total Arab region inflows, according to preliminary estimates available from the Dhaman, in its first report on **"Projected Inward FDI Trends to Arab Countries"**, set to recover modestly by 10% to reach approximately USD 88 billion compared to USD 79.2 billion in 2009.



This anticipated recovery is attributable to a robust in advanced economies group, representing one important FDI sources to Arab countries during the recent years, as well as the recovery in Arab economies, and a remarkable jump in Arab oil export receipts, notably in GCC countries. The latter consequently, encourage the inter-Arab M&As transactions, further supporting total FDI received by Arab countries as it represents a relatively important component of the total. On another front, the investment policy measures taken in Arab region have generally improved the investment climate. So that it became more favorable for foreign investment. Policy measures included; opening new sectors to FDI, raising the ceiling for foreign ownership, and cutting tax rate and/or implementing fiscal policy stimulus. In addition, legal reforms were undertaken by about 16 Arab countries in their doing business environments during 2009 alongside with 15 Arab Investment Promotion Agencies (IPAs) were the most active in 2009, conducting 400 promoting events, in addition to significant developments in terms of facilities and infrastructures introduced in Arab qualified industrial zones/cities (QIZ) as well as its free zones.

On the firm level factors and TNCs future plans, profits of TNCs have been rising since the second quarter of 2009. Besides the Global TNCs, Arab TNCs expect a gradual recovery in their FDI expenditure in 2010. Accordingly, cross-border mergers and acquisitions (M&As) deals should have a crucial role in driving the Arab investment recovery as well as the contribution of Greenfield projects as part of the announced Arab development plans.

The Pattern of Arab trade with the rest of the world

The growth of **Arab exports of goods and services** is projected to grow reaching USD 1002 billion in 2010, according to preliminary estimates from the **IMF**, compared with USD 853 billion a year earlier; a positive growth rate of 17.5%. By the same token, the value of imports is set to increase by 10.7% which exceeds that of the 2010 exports, up to USD 869 billion in 2010 from USD 785 billion in 2009. The rise in the Arab region international trade value (export proceeds plus imports payments) is an outcome of a number of factors, headed by the recovery of global economy which led to; a higher level of the global demand for most of Arab countries' exports, the robustness of economic growth rates of the majority of Arab countries, which associated with higher demand level for imports of capital and intermediate goods, as well as lower funding costs due to more availability of trade credit to exporters and importers.

The level of guarantee activity of the Arab & Islamic national ECAs and regional export credit and investment guarantee agencies

The total value of insurance contracts provided by **the Arab & Islamic national ECAs and regional export credit and investment guarantee agencies (Aman Union members)**, continued to grow in 2009, reaching about USD 13.1 billion compared to USD 12.3 billion, generating USD 75.6 million of premiums income in 2009 against USD 62.3 million the year earlier. On the other hand, Aman Union ECAs paid USD 27.6 million as compensations and recovered USD 73 million during 2009. For the total value of insurance contracts in the Arab region, it is expected to rise during 2010, as Aman Union members projected, in its annual meeting, 23-24 November in Tunis, a growing demand on their services in the field of export credit and domestic credit insurance in the respective countries further to worldwide financial crisis that enhanced use of financial risk mitigation tools. As for the regulatory changes proposed in Basel III, Aman's members showed great concerns because it may lead to reduce the global trade finance capacity. Collective actions were proposed to approach Basel III Committee in order to unfreeze obstacles and restrictions to trade finance. ICIEC and DHAMAN proposed to jointly approach the ministers of finance, the Islamic Financial Services Board, central banks, financial institutions in their respective member countries to support ECAs efforts globally and domestically in each member country.

"Aman Union" was established in 2009 aiming at strengthening the cooperation amongst Islamic, Arabic and regional ECAs as well as developing the export credit insurance industry. During its 1st meeting held last November in Tunis, the Union approved the membership of 7 new comers to the union, where 3 were granted associate membership status and 4 observers' status. Consequently, the union is currently encompassing the membership of 24 Arab and Islamic ECAs.

Chapter Two: Guarantee Operations

2.1 - Guarantee Contracts Portfolio:⁽¹⁾

Total value of guarantee contracts portfolio during the year 2010 reached USD 1,197.4 million (KD 336.5 million)⁽²⁾ as detailed below. (see Table 1).

The Corporation assigned a number of its transactions to the special accounts it manages on behalf of member States. The total value of these transactions reached USD 146.5 million (KD 41.2 million).

2.1.1 Investment Guarantee Contracts Portfolio:

Total value of investment guarantee contracts portfolio reached USD 429.3 million (KD 120.7 million), representing twelve investment guarantee contracts, and accounting 35.8% of the total value of guarantee contracts portfolio.

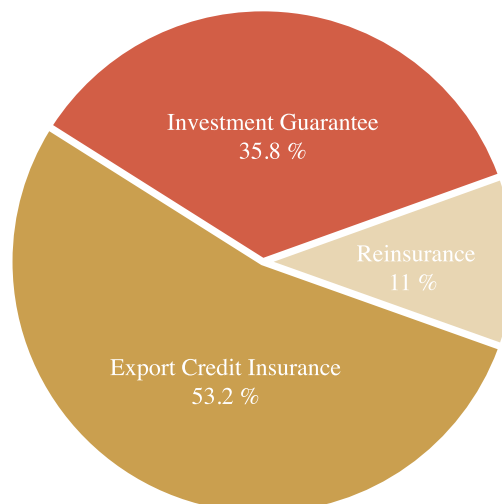
2.1.2 Export Credit Insurance Contracts Portfolio:

Total value of export credit insurance contracts portfolio reached USD 637.3 million (KD 179.1 million), representing sixty seven export credit insurance contracts (in addition to one hundred seven addendums which raised the maximum limits of existing contracts), and accounting 53.2% of the total value of guarantee contract portfolio.

2.1.3 Inward Reinsurance:

The value of transactions attributed to reinsurance treaties totaled USD 130.8 million (KD 36.7 million), out of which USD 48.2 million (KD 13.5 million) were inward quota share reinsurance treaties. In addition to that, the Corporation signed twenty four facultative reinsurance treaties (in addition to two addendums which raised the maximum limits of existing contracts) with a number of Arab export credit agencies, valued USD 82.6 million (KD 23.2 million), and accounting 11% of the total value of guarantee contracts portfolio.

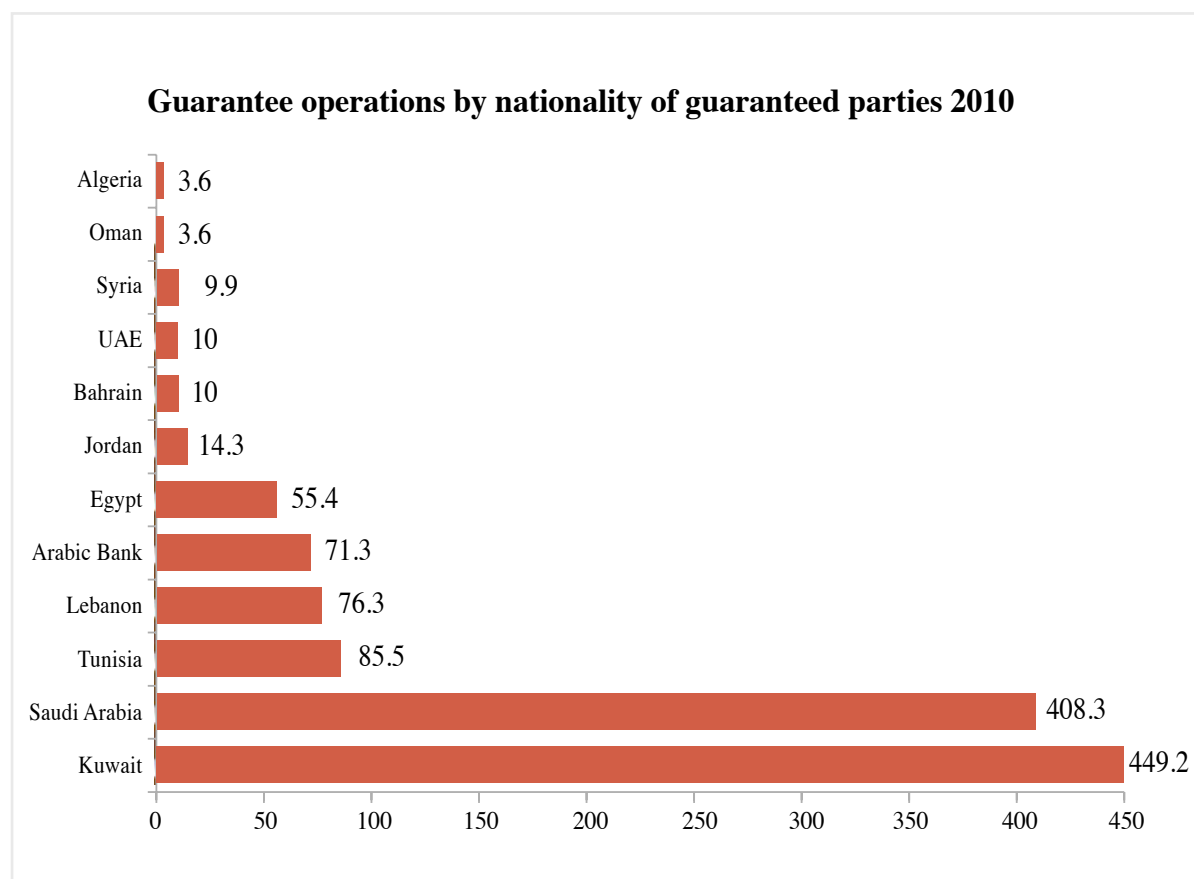
Distribution of Guarantee Contracts Portfolio 2010



⁽¹⁾ Policies in force during 2010

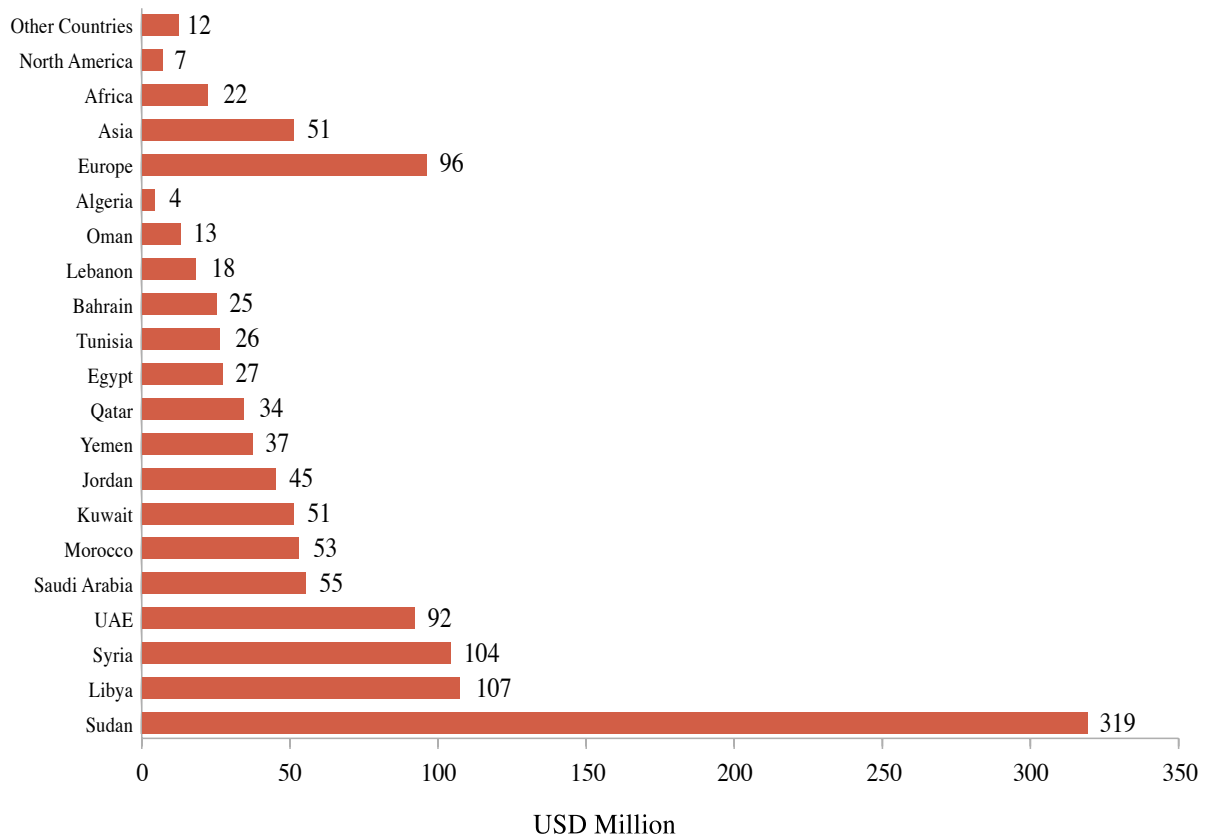
⁽²⁾ US\$ 1 = KD 0.2811 as at 31/12/2010

Overall, investors and exporters from eleven Arab countries, also a number of Arab banks based outside the Arab countries benefited from the Corporation's guarantee services. At the lead was Kuwait with (37.52%), followed by Saudi Arabia (34.10%), Tunisia (7.14%), Lebanon (6.37%), Arab Joint banks (5.96%), Egypt (4.63%), Jordan (1.19%), Bahrain (0.84%), United Arab Emirates (0.83%), Syria (0.82%), Oman and Algeria (0.30%) for each. (see Table 2).

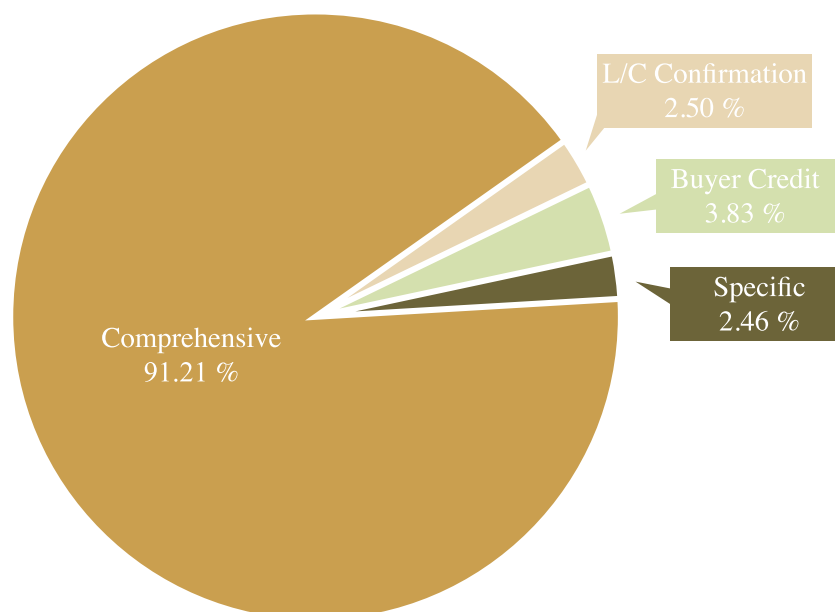


The number of host and importing countries totaled fifty two countries, of which sixteen were Arab countries led by Sudan (26.6 %), Libya (8.98 %), Syria (8.96 %), United Arab Emirates (7.67 %), Saudi Arabia (4.56 %), Morocco (4.42 %), Kuwait (4.28 %), Jordan (3.72 %), Yemen (3.09 %), Qatar (2.81 %), Egypt (2.27 %), Tunisia (2.18 %), Bahrain (2.09 %), Lebanon (1.54 %), Oman (1.09 %), Algeria (0.32 %), while the rest of the contracts, representing (15.68 %), were distributed amongst 36 countries. (see Table 3)

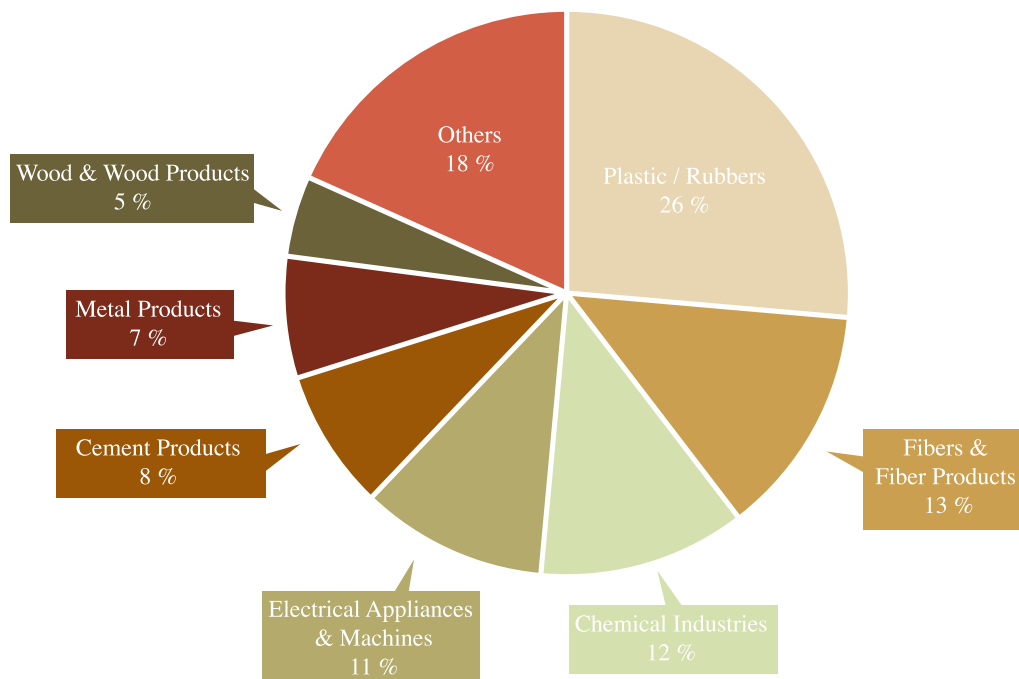
Guarantee Operations by Host / Importing Countries 2010



Distribution of Export Credit Insurance Contracts by Type 2010



Distribution of Export Credit Insurance Contracts by Sector 2010



2.2 - Value of Current Contracts & Outstanding Commitments:

2.2.1 Value of current contracts:

The total value of current contracts during 2010 reached USD 1,197.4 million (KD 336.5 million), marking a 4% growth compared to 2009, with investment guarantee contracts accounting for 36% and export credit insurance contracts accounting for 64%.

2.2.2 Value of outstanding commitments:

The total value of the Corporation's outstanding commitments as of 31/12/2010 reached USD 501 million (KD 140.8 million), representing 42% of the value of current contracts with a 21% increase over 2009 which stood at USD 414 million (See Table 4).

2.3 - Revenue from Guarantee Operations:

Total revenue generated from guarantee operations at the end of 2010 totaled USD 8.80 million (KD 2.47 million).

2.4 - Compensation & Recovery

During the year, a claim of USD 36,021 (KD 10,126) was paid against the realization of a commercial risk. An Arab exporter benefited from the compensation paid. On the other hand, the Corporation did not recover any amount in the same period. The loss ratio of this year reached 0.6%.

2.5 - Reinsurance

During the year, two new inward quota share reinsurance treaties were signed related to domestic trade transactions, one with a national Arab export credit insurance agency and the other with an Arab company specialized in domestic trade credit insurance.

Five similar treaties were renewed with five Arab ECAs. Other 24 inward facultative reinsurance treaties were also concluded during the year in addition to two addendums which raised the maximum limits of existing contracts.

The total value of reinsurance transactions concluded by the Corporation reached USD 130.8 million (KD 36.7 million), as detailed in section 2.1.3.

2.6 - Marketing Guarantee Services:

In addition to regular field visits at the Corporation's headquarters in Kuwait, and in Saudi Arabia, through the Regional Office in Riyadh, the Corporation conducted a number of missions to 7 other Arab countries. It also organized and participated in some economic and investment events.

The Corporation executed several mailing campaigns targeting large Arab exporting companies, investors and exporters in some member countries, as well as some joint Arab-Foreign chambers of commerce.

Five cooperation and commissioning agreements were concluded with specialised entities in some member countries.

2.7 - Relationship with Export Credit Insurance Agencies:

Several meetings were held with multilateral and national Arab export credit insurance agencies aiming at strengthening and fostering existing relationships, while exploring means and tools to better serve common objectives.

The Corporation, acting as The Secretariat General of Aman Union, organized the first meeting of Aman Union in November in Tunisia. Hosted by COTUNACE, the meeting was attended by 17 Arab and Islamic ECAs in addition to guests from the credit insurance and reinsurance and banking community. The meeting discussed a number of technical issues such as the developments in insurance and finance industry in the Arab and Islamic member states, debt recovery mechanisms, reinsurance, and impact of Basel 3 on international trade and export credit insurance.

Table (1)
Guarantee Contracts Portfolio During 2010

1. Signed Contracts Under Dhaman’s Own Resources			
		US \$	KD
	Investment	308,273,948	86,655,807
	Export Credit	611,879,230	171,999,252
	Reinsurance	130,769,277	36,759,244
	Total	1,050,922,455	295,414,302
2. Signed Contracts Under Special Accounts			
		US \$	KD
	Export Credit	25,453,540	7,154,990
	Investment	121,000,000	34,013,100
	Total	146,453,540	41,168,090
	Grand Total	1,197,375,995	336,582,392

Table (2)
Guarantee Contracts Portfolio During 2010 by Exporting Countries & Type of Contracts
(in US Dollars and KD Equivalent)

Exporting Country	Investment Contracts			Export Credit Contracts			Total		% of Total
	US \$	KD	%	US \$	KD	%	US \$	KD	
1 Saudi Arabia	30,000,000	8,433,000	6.99%	378,331,860	106,349,086	49.26%	408,331,860	114,782,086	34.10 %
2 Kuwait	384,130,747	107,979,153	89.48%	65,100,408	18,299,725	8%	449,231,155	126,278,878	37.52 %
3 Jordan	10,143,201	2,851,254	2.36%	4,141,248	1,164,105	0.54%	14,284,449	4,015,359	1.19 %
4 UAE	-	-	0.00%	9,991,952	2,808,738	1.30%	9,991,952	2,808,738	0.83 %
5 Bahrain	-	-	0.00%	10,000,000	2,811,000	1.30%	10,000,000	2,811,000	0.84 %
6 Tunisia	-	-	0.00%	85,486,267	24,030,190	11.13%	85,486,267	24,030,190	7.14 %
7 Syria	-	-	0.00%	9,850,358	2,768,936	1.28%	9,850,358	2,768,936	0.82 %
8 Lebanon	5,000,000	1,405,500	1.16%	71,287,976	20,039,050	9.28%	76,287,976	21,444,550	6.37 %
9 Egypt	-	-	0.00%	55,418,035	15,578,010	7.21%	55,418,035	15,578,010	4.63 %
10 Oman	-	-	0.00%	3,580,000	1,006,338	0.47%	3,580,000	1,006,338	0.30%
11 Algeria	-	-	0.00%	3,583,000	1,007,181	0.47%	3,583,000	1,007,181	0.30 %
12 Joint Arab- Foreign Banks	-	-	0.00%	71,330,943	20,051,128	9.29%	71,330,943	20,051,128	5.96 %
Total for the Year	429,273,948	120,668,907	100 %	768,102,047	215,913,485	100 %	1,197,375,995	336,582,392	100.00 %
% of Total	35.85 %			% 64.15			100 %		



Table (3)
Guarantee Contracts Portfolio During 2010 by Host/ Importing Country & Type of Contract
(in US Dollars and KD Equivalent)

	Host/ Importing Countries	Investment Contracts			Export Credit Contracts			Total		% of Total
		US \$	KD	%	US \$	KD	%	US \$	KD	
1	Sudan	214,003,980	60,156,519	49.85%	104,634,154	29,412,661	13.62%	318,638,134	89,569,179	26.61%
2	UAE	-	-	0.00%	91,791,768	25,802,666	11.95%	91,791,768	25,802,666	7.67%
3	Kuwait	-	-	0.00%	51,284,778	14,416,151	6.68%	51,284,778	14,416,151	4.28%
4	Saudi Arabia	-	-	0.00%	54,563,635	15,337,838	7.10%	54,563,635	15,337,838	4.56%
5	Jordan	-	-	0.00%	44,588,562	12,533,845	5.81%	44,588,562	12,533,845	3.72%
6	Morocco	35,000,000	9,838,500	8.15%	17,969,469	5,051,218	2.34%	52,969,469	14,889,718	4.42%
7	Syria	50,000,000	14,055,000	11.65%	54,097,431	15,206,788	7.04%	104,097,431	29,261,788	8.69%
8	Qatar	-	-	0.00%	33,641,066	9,456,504	4.38%	33,641,066	9,456,504	2.81%
9	Egypt	-	-	0.00%	27,175,727	7,639,097	3.54%	27,175,727	7,639,097	2.27%
10	Bahrain	-	-	0.00%	25,022,942	7,033,949	3.26%	25,022,942	7,033,949	2.09%
11	Tunisia	8,269,968	2,324,688	1.93%	17,861,201	5,020,784	2.33%	26,131,169	7,345,472	2.18%
12	Oman	-	-	0.00%	13,035,399	3,664,251	1.70%	13,035,399	3,664,251	1.09%
13	Yemen	30,000,000	8,433,000	6.99%	7,032,214	1,976,755	0.89%	37,032,214	10,409,755	3.09%
14	Lebanon	10,000,000	2,811,000	2.33%	8,412,749	2,364,824	1.10%	18,412,749	5,175,824	1.54%
15	Algeria	-	-	0.00%	3,821,668	1,074,271	0.50%	3,821,668	1,074,271	0.32%
16	Libya	82,000,000	23,050,200	19.10%	25,466,000	7,158,493	3.32%	107,466,000	30,208,693	8.98%
	Total (Arab Countries)	429,273,948	120,668,907	100.00%	580,398,763	163,150,092	75.56%	1,009,672,711	283,818,999	84.32%
	Europe	-	-	-	95,526,458	26,852,487	12.44%	95,526,458	26,852,487	7.98%
	Asia	-	-	-	50,771,988	14,272,006	6.61%	50,771,988	14,272,006	4.24%
	Africa	-	-	-	22,059,944	6,201,050	2.87%	22,059,944	6,201,050	1.84%
	North America	-	-	-	7,417,000	2,084,919	0.97%	7,417,000	2,084,919	0.62%
	Other countries	-	-	-	11,927,894	3,352,931	1.55%	11,927,894	3,352,931	1.00%
	Total (Non-Arab Countries)	-	-	-	187,703,284	52,763,393	24.44%	187,703,284	52,763,393	15.68%
	Grand Total	429,273,948	120,668,907	% 100.00	768,102,047	215,913,485	% 100	1,197,375,995	336,582,392	% 100
	% of Total	% 35.85			% 64.15					

Table (4)

**Value of Current Contracts During 2010 & Outstanding Commitments as at 31/12/2010 by Host / Importing Country & Type of Contract
(In US\$ and its Equivalent in KD)**

Host/ Importing Countries	Current Investment Contracts		Current Export Credit Contracts		Total Current Contracts		Outstanding Commitments for Investment Contracts		Outstanding Commitments for Export Credit Contracts		Total Outstanding Commitments		
	US \$	KD	US \$	KD	US \$	KD	US \$	KD	US \$	KD	US \$	KD	% of Total
Sudan	214,003,980	60,156,519	157,290,952	44,214,487	371,294,932	104,371,005	206,348,772	58,004,640	114,835,185	32,280,171	321,183,957	90,284,810	64.10 %
Syria	50,000,000	14,055,000	69,913,823	19,652,776	119,913,823	33,707,776	27,100,000	7,617,810	14,868,624	4,179,570	41,968,624	11,797,380	8.38 %
Libya	82,000,000.00	23,050,200	25,466,000	7,158,493	107,466,000	30,208,693	18,839,600	5,295,812	1,507,775	423,836	20,347,375	5,719,647	4.06 %
UAE	-	-	79,965,454	22,478,289	79,965,454	22,478,289	-	-	6,860,868	1,928,590	6,860,868	1,928,590	1.37 %
Saudi arabia	-	-	51,265,369	14,410,695	51,265,369	14,410,695	-	-	3,740,247	1,051,383	3,740,247	1,051,383	0.75 %
Kuwait	-	-	45,215,070	12,709,956	45,215,070	12,709,956	-	-	2,329,238	654,749	2,329,238	654,749	0.46 %
Morocco	35,000,000.00	9,838,500	17,652,190	4,962,031	52,652,190	14,800,531	9,400,000.00	2,642,340	2,243,315	630,596	11,643,315	3,272,936	2.32 %
Yemen	30,000,000	8,433,000	6,854,102	1,926,688	36,854,102	10,359,688	27,407,801	7,704,333	341,897	96,107	27,749,698	7,800,440	5.54 %
Jordan	-	-	40,534,559	11,394,265	40,534,559	11,394,265	-	-	1,906,747	535,987	1,906,747	535,987	0.38 %
Tunisia	8,269,968	2,324,688	14,574,789	4,096,973	22,844,757	6,421,661	2,534,884	712,556	6,373,411	1,791,566	8,908,295	2,504,122	1.78 %
Egypt	-	-	28,305,541	7,956,688	28,305,541	7,956,688	-	-	3,217,191	904,352	3,217,191	904,352	0.64 %
Qatar	-	-	24,262,613	6,820,221	24,262,613	6,820,221	-	-	1,861,646	523,309	1,861,646	523,309	0.37 %
Bahrain	-	-	21,700,225	6,099,933	21,700,225	6,099,933	-	-	1,944,099	546,486	1,944,099	546,486	0.39 %
Lebanon	10,000,000	2,811,000	6,790,968	1,908,941	16,790,968	4,719,941	2,252,455	633,165	515,976	145,041	2,768,431	778,206	0.55 %
Oman	-	-	11,752,536	3,303,638	11,752,536	3,303,638	-	-	861,715	242,228	861,715	242,228	0.17 %
Algeria	-	-	2,784,089	782,607	2,784,089	782,607	-	-	436,000	122,560	436,000	122,560	0.09 %
Europe	-	-	89,750,082	25,228,748	89,750,082	25,228,748	-	-	22,604,168	6,354,032	22,604,168	6,354,032	4.51 %
Asia	-	-	33,227,856	9,340,350	33,227,856	9,340,350	-	-	7,128,911	2,003,937	7,128,911	2,003,937	1.42 %
Africa	-	-	21,586,555	6,067,981	21,586,555	6,067,981	-	-	11,792,584	3,314,895	11,792,584	3,314,895	2.35 %
North America	-	-	7,281,380	2,046,796	7,281,380	2,046,796	-	-	949,602	266,933	949,602	266,933	0.19 %
Group of countries	-	-	11,927,894	3,352,931	11,927,894	3,352,931	-	-	854,000	240,059	854,000	240,059	0.17 %
Total	429,273,948	120,668,907	768,102,047	215,913,485	1,197,375,995	336,582,392	293,883,512	82,610,655	207,173,199	58,236,386	501,056,711	140,847,041	100 %

Current contracts represent the value of guarantee contracts, whether excuted or not.

The outstanding Guarantee commitments represent the following:

- For Investment Guarantee contracts: the value of investments excuted.
- For Export Credit Insurance contracts: the value of shipments excuted but not yet repaid.

Chart (1)
Guarantee Contracts Portfolio During 2010 by Exporting Countries & Types of Contracts

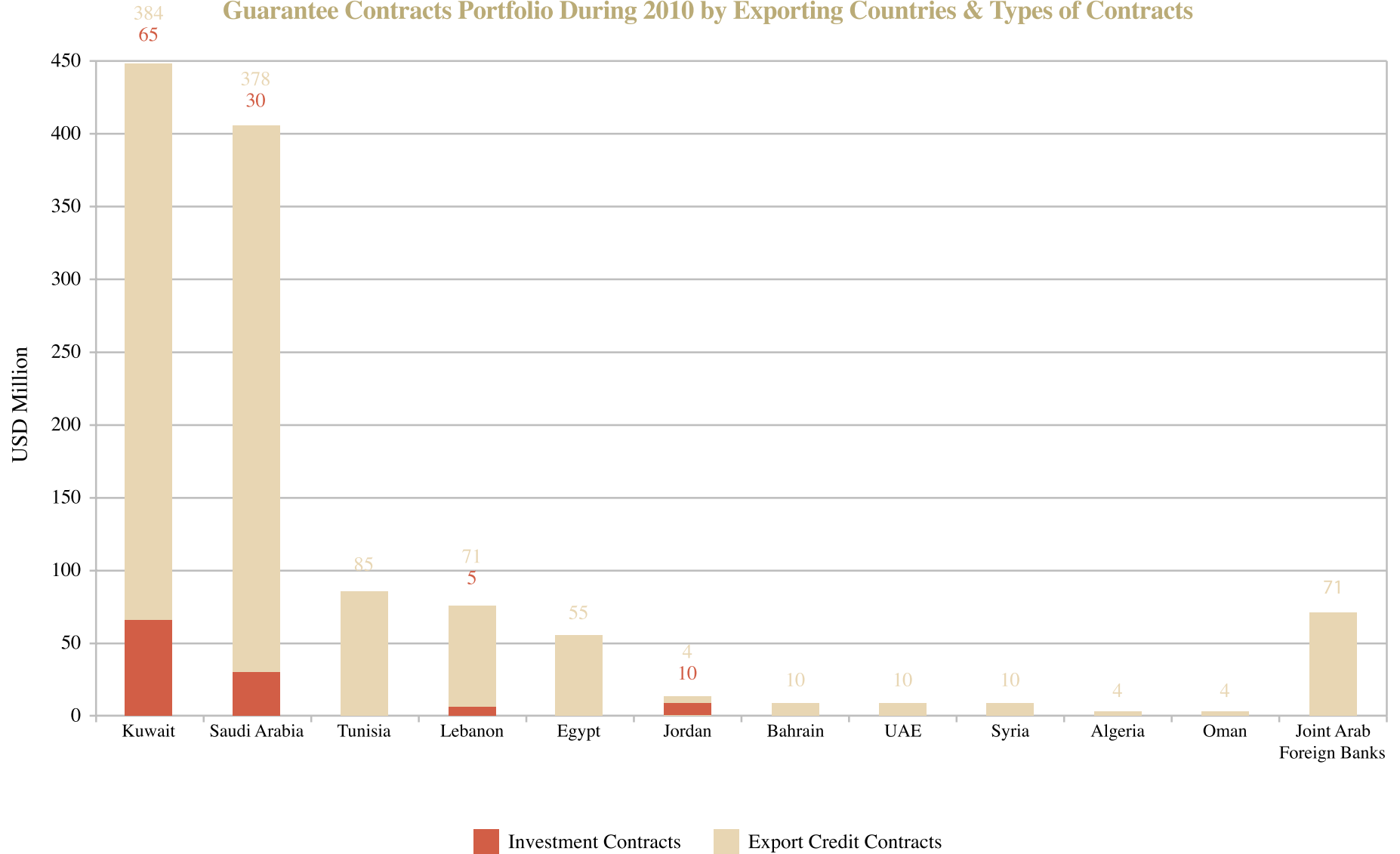


Chart (2)
Guarantee Contracts Portfolio During 2010 by Host/ Importing Country

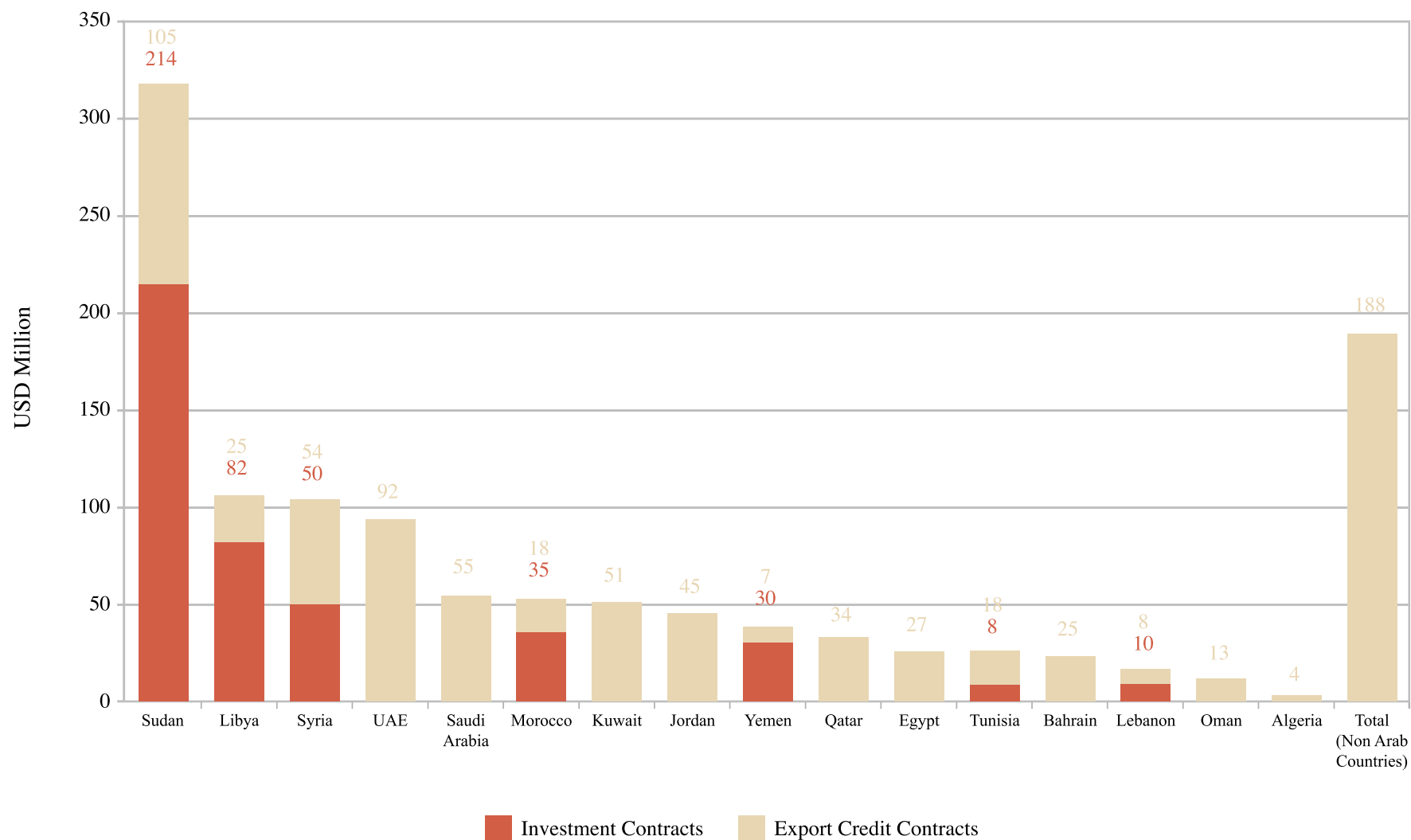
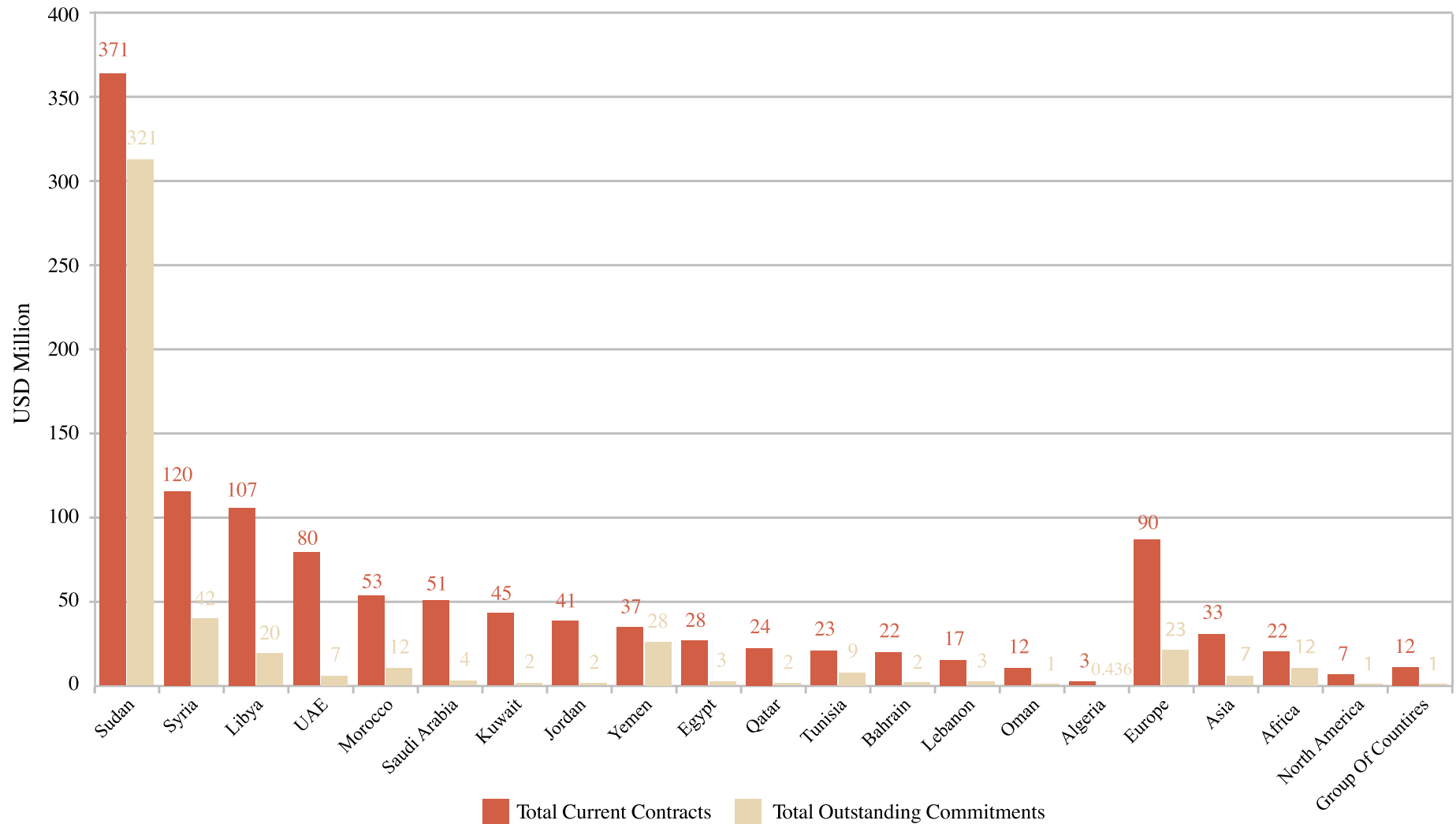


Chart (3)

Value of Current Contracts During 2010 & Outstanding Commitments as at 31/12/2010 by Host / Importing Country



Chapter Three: Complementary Activities & Support Services

3.1 - Publications and Introductory Papers

As one of its main goals stipulated in its establishment convention, the Arab Investment and Export Credit Guarantee Corporation (**Dhaman**) devoted considerable attention to disseminating information and raising investment awareness amongst Arab investors and businessmen as well as providing advisory reform-services to policymakers in Arab countries, in order to improve and provide a more attractive investment climate. These efforts were reflected through the following Dhaman complementary activities and support services:

3.1.1 “Investment Climate in Arab Countries” Annual Report:

- In 2010, Dhaman published its annual report, “**Investment Climate in Arab Countries 2009**”, the 25th in the series of annual reports. The report included, for the fourth consecutive year, “**FDI at a Glance in Arab Countries**”, which mainly focused on indicators of inward and outward foreign direct investment and Inter-Arab investment flows in 2009.
- Approximately **4800 copies** of this report were distributed, as hard and soft copies, to concerned parties in member countries, regional organizations, Arab investors and businessmen, Arab media, and many research and study centers. Dhaman has also received numerous requests for additional copies of the report from different sites in Arab countries, especially researchers and post-grad students, whose majors and specializations are related to Dhaman’s area of expertise. The report was published in Arabic, alongside with an English executive summary of the report made available online through Dhaman’s website (www.dhaman.org).

3.1.2 “Daman Al-Istithmar” Quarterly Bulletin:

- **Dhaman** has published four quarterly issues of its bulletin “**Daman Al-Istithmar**”, which covered many topics in relation to Investment climate, FDI and export credit guarantees. In addition to its regular topics, a number of important working papers and studies which focus on economic debates relevant to FDI and trade, were included in the bulletin. The bulletin’ editorials featured Dhaman’s General Director on “**The 13th Conference of Arab Businessmen and Investors (Maram), held for the first time on a country level basis**”, “**Countries Sovereign Rating and its role in investments and trade**”, “**Towards a more attractive investment environment in Arab countries**”, and “**The Doing Business Indicators, and Improving the Arab Investment Climate**”. A summary of the UNCTAD’s Investment Advisory Series “Promoting Investment and Trade: Practices and Issues” alongside other international studies related to Dhaman’s field of specialization were included in the bulletin.

The issues also included studies prepared by Dhaman, such as, “Developments of BITs and DTTs in Arab countries”, “Collecting and Reporting FDI Statistics in Arab Countries”, “Projected Inward FDI Trends to Arab Countries during 2010”, “Arab Countries Sovereign Risk Rating, and it’s Relationship to International Transactions” and a study, focused on Arab countries, by comparing the different ICT indicators, titled, “ICT Indices, Differences & Resemblances”.

Dhaman Al-Istithmar also covered the developments of Arab countries in a number of important international indicators, such as; The World Bank’s “Statistical Capacity Index”, The World Economic Forum’s “Global Competitiveness Report 2010-2011”, A.T. Kearney’s “Global Retail Development Index 2010” and The World Bank’s Doing Business”. These indicators are extremely important in enhancing the investment climate and business environment that are related to give much needed incentives to attract a greater share of FDI flows.

- Approximately **4525 copies** of each quarterly issue of the bulletin were distributed by mail to concerned government and private sites, banks, institutions, investment companies, research centers, and individuals who are concerned with the investment and export credit guarantees in the region, as well as Dhaman's clients. In addition, approximately **1000 soft copies** of each quarterly issue were automatically sent to the online members of Dhaman's website.
- Dhaman ensures that its annual **"Investment Climate in Arab countries"** report and the quarterly **"Daman Al-Istithmar"** bulletin are made available through its website (www.dhaman.org). , in order to achieve its goal of spreading knowledge and raising investment awareness in the Arab countries.

3.1.3 Studies and Introductory Papers:

The Director-General of Dhaman presented seven studies and introductory papers in local and international economic events throughout the year, which were based on the following topics:

- **"The Investment Climate in Syria and Dhaman's Role in Promoting the Flow of Arab and non-Arab Direct Investments into Syria"**, presented during "The 13th Arab Businessmen and Investors (MARAM 13)" held in the Syrian capital, Damascus, 3 – 4 March, 2010.
- **"The extent to which the Libyan economy benefits from Dhaman's services, and ways of enhancing those services"**, presented at *"The International Conference on Trade and Investment"* held in the Libyan capital, Tripoli, 30 – 31 March, 2010.
- **"Investment Climate, Business, and Economic Legislation Developments in Arab Countries"**, presented by Dhaman's Director-General at the *"Forum on Arab Investment Encouragement & Export Enhancement"* held in Lebanese capital, Beirut, 27 – 28 April, 2010.
- **"Dhaman's Mechanisms to Guarantee Investments and Export Credit"** was presented at the following events;
 - **"The 1st Loan & Export Credit Guarantee Forum"**, held in the Jordanian capital, Amman, 10 – 11 May, 2010.
 - **"Export & Investment Guarantees and Financing Forum"**, held in the Lebanese capital, Beirut, on May 12th, 2010.
 - **"Mechanisms of Guaranteeing Kuwaiti Companies' Investments in Arab Countries"**, held at the Kuwait Chamber of Commerce & Industry, on September 28th, 2010.
 - **"Guarantee and Financing Syria's Exports & Investments Forum"**, held at the Damascus Chamber of Commerce, Syria, on October 12th, 2010.
 - **"Guarantee and Financing Algeria's Exports & Investments Forum"** held in the Algerian capital, Algeria, on November 21st 2010.
- **"Guarantee & Insurance Industry Trends"** presented at *"The Aman Union Annual Meeting"*, held in Tunisia's capital, Tunis, 23 – 24 November, 2010.
- **"The extent to which the Sudanese economy benefits from Dhaman's services, and ways of enhancing those services"**, presented at *"International Donors and Investors Conference for East Sudan"*, which was held in the Kuwaiti capital, Kuwait City, 1 – 2 December, 2010.
- **"Tourism Competitiveness and Specialization in South Mediterranean Countries; A Panel Data Approach"**, was a research paper prepared in collaboration with the Arab Planning Institute, published in the API's "Journal of Development and Economic Policies".

3.2 - Events Organized or Co-organized by Dhaman:

Dhaman organized and co-organized 10 economic events throughout the year:

- **“The 13th Arab Businessmen and Investors (MARAM 13)”** held in the Syrian capital, Damascus, 3 – 4 March, 2010. This event was jointly organized with the League of Arab States, the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries, and the Federation of Syrian Chambers of Commerce.
- A training course entitled, **“The role of export credit insurance in the development of Kuwaiti industrial exports”**, held in the Kuwaiti capital, Kuwait City, March 2010. It aimed at helping Kuwaiti industrial companies to further develop their exports. This event was jointly organized with the Kuwait Industrial Exports Development Center.
- **“First Country Risk Conference in Kuwait”** and **“The Credit Alliance Regional Meeting”**, were held in the Kuwaiti capital, Kuwait City, 20 – 21 April, 2010. These events were jointly organized with Coface, under the auspices of his Excellency the Minister of Finance of Kuwait, and the participation of a group of international experts. They discussed regional developments and country risk assessment tools.
- **“The 1st Meeting for Aman Union’s Executive Council”**, held in Dhaman’s headquarters, on April 22nd, 2010. National ECA’s representatives attended the meeting, alongside representatives from Dhaman and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).
- **“The 3rd Mechanisms for Guaranteeing & Financing of Exports and Investments Forum”**, held in the Egyptian capital, Cairo, on May 5th, 2010, under the auspices of his Excellency the Minister of International Cooperation of Egypt. This event was jointly organized with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and the Islamic Development Bank and the Commercial International Bank and the Egyptian Businessmen Association.
- **“The Guarantee and Financing of Exports & Investments Forum”**, held in the Lebanese capital, Beirut, on May 12th, 2010. This event was jointly organized with the Association of Banks in Lebanon, it was attended by a number of banks and other financial and investment institutions, as well as various exporters and businessmen.
- **“Mechanisms of Guaranteeing Kuwaiti Companies’ Investments in Arab Countries”**, held at the Kuwait Chamber of Commerce & Industry, on September 28th, 2010. This event was jointly organized with the Kuwaiti Union of Investment Companies.
- **“Guarantee and Financing Syria’s Exports & Investments Forum”**, held at the Damascus Chamber of Commerce, Syria, on October 12th, 2010.
- **“Guarantee and Financing Algeria’s Exports & Investments Forum”** held in the Algerian capital, Algeria, on November 21st 2010. This event was jointly organized with La Compagnie Algérienne d’Assurance et de Garantie des Exportations (CAGEX) and The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).
- **“The 1st Aman Union Annual Meeting”**, held in Tunisia’s capital, Tunis, 23 – 24 November, 2010. This event was jointly organized with La Compagnie Tunisienne Pour l’Assurance du Commerce Extérieur (Cotunace) and The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).



3.3 - Cooperation with Arab Institutions and Agencies:

Dhaman was active during the year 2010 in promoting its insurance services and cooperating with Arab Institutions and Agencies through:

- Participation in a meeting with representatives of the Mauritanian government and the OPEC Fund for International Development (OFID), held in the Austrian capital, Vienna, on January 18th, 2010. The meeting discussed aspects of joint cooperation between Dhaman and the Mauritanian government through the fund, as well as developing direct working relationships with the Fund.
- Participation in a meeting with the President, members of the Board of Directors and the General Manager of the Jordan Loan Guarantee Corporation (JLGC), held at the Central Bank of Jordan's Head office, in the Jordanian capital, Amman, 27 – 29 January, 2010. The meeting was aimed at discussing all the areas of common interests between Dhaman and JLGC.
- Participation in a meeting with FIMBank, held in Malta, 1 – 3 February, 2010. In the meeting Dhaman presented its services which could benefit the bank. Dhaman's delegation was informed on the mechanisms for implementing the bank's factoring activities and the software used in this process.
- Participation in a meetings with The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), held in the Saudi city, Jeddah, on February 9th, 2010. The meeting discussed ways to develop the IT systems used in both corporations within the framework of their mutual cooperation.
- Implementation of a marketing campaign carried out in UAE, March 2010. This campaign was carried out in collaboration with the Export Credit Insurance Company of the Emirates (ECIE) with the purpose of presenting Dhaman's services in the field of export credit guarantees for Emirati exports. The campaign targeted current and potential customers in Dubai and Sharjah.
- Participation in organizing "The 1st Aman Union Annual Meeting", the union consists of 17 Arab and Islamic ECAs. The meeting was held in the Tunisian capital, Tunis, 23 – 24 November, 2010. This event was jointly organized with La Compagnie Tunisienne Pour l'Assurance du Commerce Extérieur (Cotunace) and The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).
- Furthermore, Dhaman has concluded two agreements and a Memorandum of Understanding during 2010, as follows:
 - A contract to open and manage a special account for the Mauritanian Government, signed on January 19th, 2010. The purpose of the special account is to provide investment guarantees in Mauritania, and provide export credit for Mauritanian exports to the world, as well as provide financing for infrastructure projects and issue Islamic financial instruments in accordance with Dhaman's establishment convention, the special account's value amounted to USD 20 million USD in addition to the net revenue generated from the account.
 - A letters of credit confirmation insurance contract with FIMBank from Malta was signed on April 14th, 2010. This was part of Dhaman's efforts to highlight the importance of Credit Insurance services to the banking industry in the Arab world, targeting both Arab and joint Arab-Foreign banks engaging in international trade finance activities in the region.
 - A Memorandum of Understanding for joint cooperation was signed with the Union of Investment Companies in Kuwait, regarding the guaranteeing of Kuwaiti investments in Arab countries, and foreign investments in Kuwait against non-commercial risks.

- Dhaman also continued its efforts in promoting investments during the year 2010 through:
 - Cooperation with the United Nations Conference on Trade and Development “UNCTAD” in launching the World Investment Report for the year 2010 in the State of Kuwait.

3.4 - Dhaman’s Local, Regional, and International Presence:

Dhaman’s delegations participated in numerous local, regional and international forums and conferences during the year, including:

- **Credit Alliance’s Annual Meeting**, held in Paris, France, 18 – 19 January, 2010. The meeting dealt with the latest developments in the field of investment and export credit guarantee in light of the global financial and economic crisis, and lessons learned to cope with any similar crises in the future.
- **Workshop for Tunisian Banks and Investors**, held in the Tunisian capital, Tunis, 20 – 21 January, 2010. Jointly organized by Dhaman and Tunisia’s national Export Credit Agency “COTUNACE”.
- **Tunisia’s national Export Credit Agency “COTUNACE” Board of Directors Meeting**, held in Tunisian capital, Tunis, January, 2010. This was the first Board of Directors meeting to be attended by Dhaman as a member of the board, Since Dhaman has acquired a capital share of 25% in Cotunace, making Dhaman the second largest shareholder in Cotunace’s capital and giving it 2 seats out of the 9 Board of Directors members.
- **Arab Conference for Investment and Development in South Sudan**, held in the Sudanese city of Juba, 22 – 23 February, 2010. Organized by the Arab League in order to provide optimal frameworks for the development of investments in this region.
- **Financing Trade and Exports in the Middle East Conference**, held in Dubai, UAE, February, 2010. The conference shed the light on the developments of financing activities and export guarantees around the world.
- **International Conference on Trade and Investment**, held in Libya’s capital, Tripoli, 30 – 31 March, 2010.
- **Seminar on the extent to which the banks benefit from the services provided by ECAs**, held in the Bahraini capital, Manama, on April 13th, 2010. This seminar was jointly organized by The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) and The Central Bank of Bahrain.
- **The 4th coordination meeting to promote cooperation between financing and guaranteeing for national, Arab, and Islamic trade**, held in the Saudi city, Jeddah, on May 1st, 2010. The meeting was aimed at finding ways to establish and take advantage of the relationships between financing institutions and trade guaranteeing in the Arab and Islamic countries.
- **The 1st Loan & Export Credit Guarantee Forum**, held in the Jordanian capital, Amman, 10 – 11 May, 2010.
- **Arab Exporters / Importers in the Food Industry Meeting**, held in the Lebanese capital, Beirut, 19 – 20 May, 2010. The meeting was organized jointly by The Arab Trade Financing Program (ATFP) and the Lebanese Ministry of Economy and Trade.

- **Palestine Investment Conference**, held in the Palestinian city of Bethlehem, 2 – 3 June, 2010. The conference was organized by the Palestine Investment Promotion Agency (PIPA), aimed at encouraging and promoting the different business sectors in Palestine.
- **Plant Lebanon 2010 Conference**, held in the Lebanese capital, Beirut, 29 – 30 June, 2010. Dhaman aimed at informing Lebanese expatriates about its services and ways in which they can benefit from these services.
- **Financing Industrial Projects in GCC Forum**, held at the Asharqiya Chamber Headquarters in the Saudi city of Dammam, on October 12th, 2010. The forum was organized by the Federation of GCC Chambers.
- **International Donors and Investors Conference for East Sudan**, which was held in the Kuwaiti capital, Kuwait City, 1 – 2 December, 2010. The conference was sponsored by The Kuwaiti Government, with participants from 39 countries, 28 international organizations and 73 NGOs.

3.5 - Development of Human Resources:

Dhaman continued pursuing its objective of enhancing the staff's technical skills & abilities, and improving HR's performance levels.

In house training at Dhaman's headquarters in Kuwait was given to an employee from Dhaman's regional office in Riyadh, through 21 – 25 March, 2010. In addition to that, Dhaman has sent employees to attend the following training courses:

- A training course on, "The Global Financial Trade-offs", held in Dubai, UAE during June, 2010.
- A training course on, "The Skills to Analyze Financial Statements for Banks and Financial Institutions", held in Kuwait, 8 – 27 November, 2010. It was organized by the Institute of Banking Studies in Kuwait.
- A training course on, "Developing an HR Specialist's Performance", held in Kuwait, during 21st November until 24th December, 2010. It was organized by the International Business Institute (IBI) in Kuwait.
- A training course on, "Enterprise Risk Management", held in Kuwait 13 – 16 December, 2010. It was organized by the Human Resources Professionals Institute in Kuwait.
- A training course on "Modern techniques to develop software used in Dhaman", held during the last quarter of 2010. An expert on this topic was hired to deliver this course.

3.6 - Information Technology:

Within Dhaman's framework of its plan to modernize and develop information technology, during the year 2010, the following was achieved:

3.6.1 Applications and Development:

New applications were developed and installed for various departments and divisions at Dhaman in order to satisfy the work needs and install new and updated software to ensure rapid and easy flow

of information, and to raise the performance levels. As for the Operations Department, Dhaman developed domestic trade services, and new marketing services. Dhaman continued to improve its developed software performance, especially in the Operations Department, Investment Department and the Human Resources department, as well as updating its database engine. Dhaman also prepared a study covering the various offers for the Aman Union joint database.

3.6.2 Infrastructure:

Throughout the year, the networking operating systems were enhanced and improved. Also, the necessary software and hardware were installed to help to speed access and entry into the network and speedup file transfers, as well as providing technical support services.

3.6.3 Dhaman's Website:

During the year 2009, Dhaman continued the development of its website in both Arabic and English after the launch of its new interface in 2008, especially to its content including; publications and reports, bulletin and periodicals, time series statistics of FDI, and a statistical profile "FDI at a Glance" for member countries containing recent basic economic data and indicators, as well as charts showing the recent performance of (inward/outward) FDI flows in the Arab countries and FDI data by economic sector. In addition, the "FDI at a Glance" provides updated information related to Arab IPAs logo, website, address, and telephone numbers.

Also detailed information on investment opportunities in the region and investment-related legislations can be found on Dhaman's website. During the year Dhaman has also launched the French version of its website. In addition to introducing its new services regarding Domestic Trade Insurance.

Dhaman has also established a new website for "Aman Union" in order to publicize the union, its members and service. The site includes a "Glossary" section to help comprehend the terminology and vocabulary used in this field.

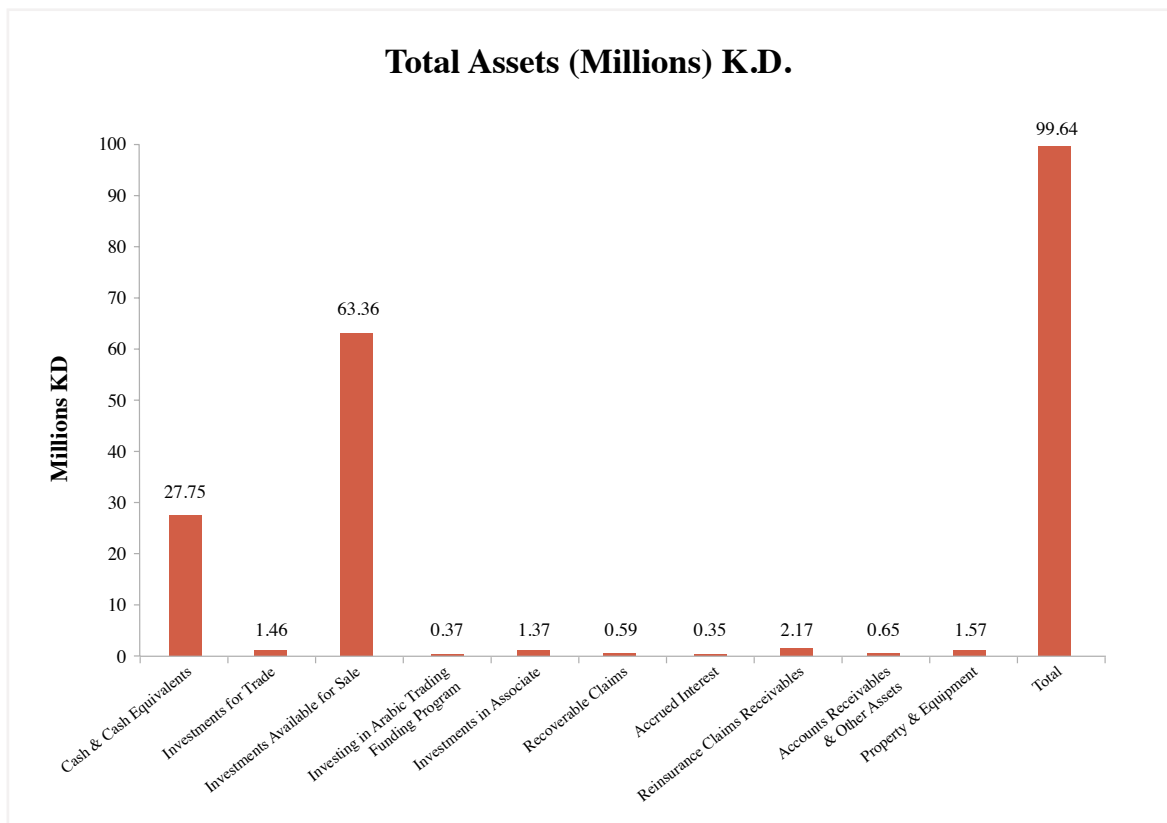
3.7- Media Activities:

Dhaman has strengthened its media presence in the region and globally, through the application of the most appropriate and modern tools available, to support and demonstrate Dhaman's vital role in the region, highlight its achievements, and get its message across. As a result, more than 360 news articles were written covering Dhaman's activities, participations in conferences, forums, operations, and agreements during the year 2010. Dhaman's media presence has witnessed a substantial increase in comparison to the year 2009, proven by a rapid increase in the number of visitors to Dhaman's website.

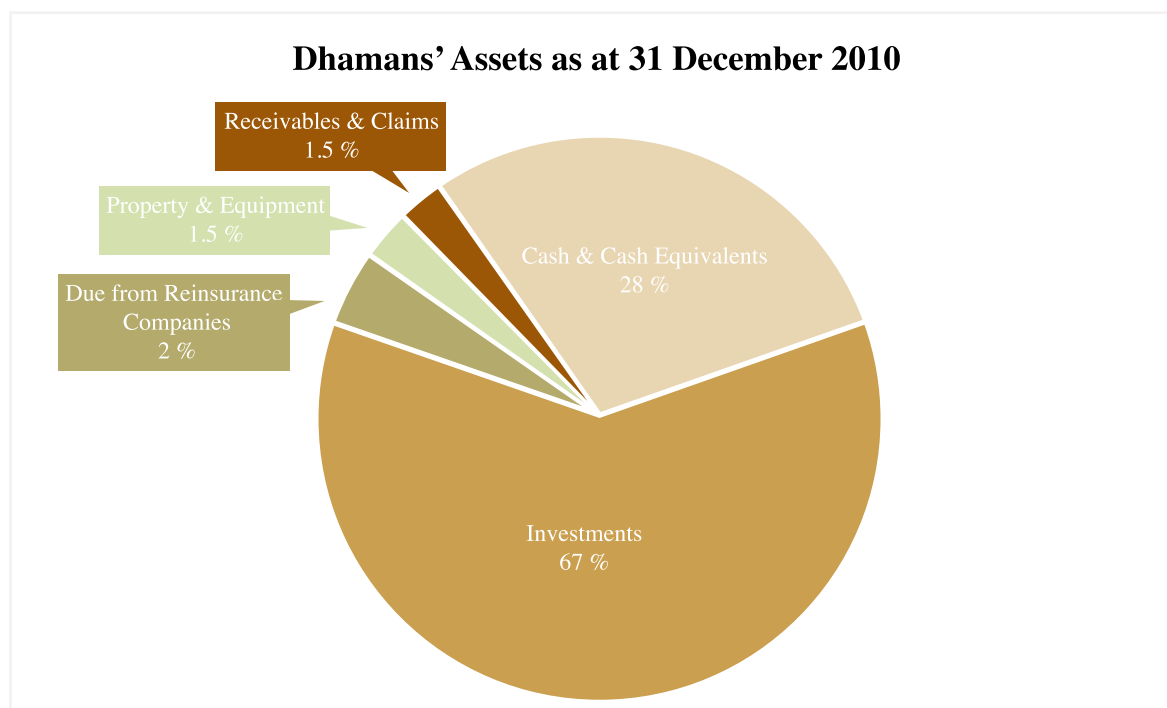


Chapter Four: Financial Report

Dhamans' Balance Sheet as at 31 December 2010 reveals that the total assets amounted to K.D 99,648,358 (USD 354,494,337) as shown by the following chart:



Dhamans' Assets distributed mainly between investments 67%, Cash and cash equivalents 28% and other assets 5% as shown below .



The Shareholder's Equity as at 31 December 2010 amounted to K.D 89,308,301 (USD 317,710,071) and it is composed of paid up capital amounted to K.D 55,621,667 (USD 197,871,459), The general reserve of K.D 34,643,883 (USD 123,243,981) and the decline in changes in fair value reserve amounted to K.D 957,249 (USD 3,405,369).

With regard to income and expenditure as at 31 December 2010, the income from the results of guarantee premiums, interest on bonds, deposits and call accounts, and other income amounted to K.D 3,164,826 (USD 11,258,719).

The investments results showed realized gains of K.D 3,176,914 (USD 11,301,722) as a result of funds dividends; gain on sale of bonds, funds and portfolios. The lossess in foreign exchange amounted to K.D 374,033 and thus the net operating profit amounted to K.D 5,967,707 (USD 21,229,836).

With regard to the net results of the year 2010 it reflected a profit of K.D 3,043,702 (USD 10,827,826).

The realized gains in Dhamans' investments reflects the continuous monitoring of the global and Arabic markets by the Dhamans' administration and the suitable decisions that had been made to maximize the Dhamans' returns.

As for the total expenditures it is amounted to K.D 2,528,085 (USD 8,993,543) as at 31 December 2010, which is lower than the overall expenditures in 2010 projected budget for the amount of K.D 96,915 (USD 344,771), a rate of 3.70%, as a result of the rationalization of expenditures by the administration to reduce the actual expenses during the last quarter of 2010.



**The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with A Special Independent Legal Status**

**Independent Auditor's Report and Financial Statements
for the year ended 31 December 2010**

**ERNST & YOUNG**

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INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN AND MEMBERS OF COUNCIL OF THE ARAB INVESTMENT & EXPORT CREDIT GUARANTEE CORPORATION AN ARAB CORPORATION WITH A SPECIAL INDEPENDENT LEGAL STATUS

Report on the Financial Statements

We have audited the accompanying financial statements of The Arab Investment & Export Credit Guarantee Corporation (the corporation), which comprise the statement of financial position as at 31 December 2010 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The management of the corporation is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the corporation as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



ERNST & YOUNG

**INDEPENDENT AUDITORS' REPORT TO THE CHAIRMAN AND MEMBERS OF
COUNCIL OF THE ARAB INVESTMENT & EXPORT CREDIT GUARANTEE
CORPORATION AN ARAB CORPORATION WITH A SPECIAL INDEPENDENT
LEGAL STATUS (continued)**

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the corporation and we obtained all the information and explanations that we required for the purpose of our audit. We further report that, to the best of our knowledge and belief, no violations of the corporation's convention have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the corporation or on its financial position.

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

24 February 2011

Kuwait

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Income Statement

Year Ended 31 December 2010

	Notes	2010 KD	2009 KD
REVENUES:			
Gross guarantee premiums		1,672,719	990,106
Guarantee premiums ceded		(14,386)	(33,044)
Net guarantee premiums		1,658,333	957,062
Unearned premiums reserve at the beginning of the year		161,760	-
Outstanding claims reserve at the beginning of the year		217,027	-
Unearned premiums reserve at the end of the year	11	(555,530)	(161,760)
Outstanding claims reserve at the end of the year	11	(242,086)	(217,027)
Net guarantee premiums earned		1,239,504	578,275
Expenses and other commission		444,432	(45,900)
Guarantee results		1,683,936	532,375
Interest income		1,465,511	1,506,442
Net Investment income	3	3,176,914	4,454,145
Foreign exchange (loss) gain		(374,033)	1,301,637
Other miscellaneous income		15,379	27,847
TOTAL REVENUES		5,967,707	7,822,446
EXPENSES:			
First Chapter - Salaries, wages and bonuses		1,611,699	1,593,874
Second Chapter - General and administrative expenses		783,117	764,341
Third Chapter - Depreciation expenses		82,388	81,822
Fourth Chapter - Provisions and others		50,881	40,764
TOTAL EXPENSES		2,528,085	2,480,801
Profit for the year before impairment loss on investments available for sale		3,439,622	5,341,645
Impairment loss on investments available for sale	6	(395,920)	(113,459)
PROFIT FOR THE YEAR		3,043,702	5,228,186

The Attached notes 1 to 19 form part of these financial statements



The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Statement of Comprehensive income
Year Ended 31 December 2010

	Notes	31 December 2010 KD	31 December 2009 KD
Profit for the year		3,043,702	5,228,186
Other comprehensive income			
Net unrealized gain on investments available for sale		863,912	3,758,871
Net realized gain transferred to income statement on disposal of investments available for sale	3	(2,051,065)	(800,474)
Impairment loss on investments available for sale transferred to income statement	6	395,920	113,459
Other comprehensive (loss) income for the year		(791,233)	3,071,856
Total comprehensive income for the year		<u>2,252,469</u>	<u>8,300,042</u>

The Attached notes 1 to 19 form part of these financial statements

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Statement of Financial Position
At 31 December 2010

	Notes	2010 KD	2009 KD
ASSETS			
Cash and cash equivalents	4	10,754,420	47,746,679
Time deposits	4	17,000,000	-
Investments at fair value through income statement	5	1,462,225	-
Investments available for sale	6	63,726,172	42,870,715
Investments in an associate	7	1,375,017	1,331,977
Recoverable claims	8	593,549	583,261
Due from insurance and reinsurance companies	9	2,172,054	2,655,126
Accounts receivable and other assets		995,276	651,210
Property and equipment	10	1,569,645	1,642,613
TOTAL ASSETS		99,648,358	97,481,581
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and other liabilities		845,508	599,526
Insurance technical reserves	11	797,616	378,787
Obligations under finance lease	12	2,024,675	2,060,086
Due to insurance and reinsurance companies	9	4,505,995	5,651,100
Employee savings and end of service benefits		2,166,263	1,845,474
TOTAL LIABILITIES		10,340,057	10,534,973
EQUITY			
Paid-up capital	13	55,621,667	55,512,443
General reserve	14	34,643,883	31,600,181
Cumulative changes in fair value		(957,249)	(166,016)
TOTAL EQUITY		89,308,301	86,946,608
TOTAL LIABILITIES AND EQUITY		99,648,358	97,481,581

The Attached notes 1 to 19 form part of these financial statements



The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Statement of Changes In Equity
Year Ended 31 December 2010

	Paid-up capital	General reserve	Cumulative changes in fair value	Retained earnings	Total
	KD	KD	KD	KD	KD
Balance as at 1 January 2010	55,512,443	31,600,181	(166,016)	-	86,946,608
Profit for the year	-	-	-	3,043,702	3,043,702
Other comprehensive income	-	-	(791,233)	-	(791,233)
Total comprehensive (loss) income for the year	-	-	(791,233)	3,043,702	2,252,469
Transfer to general reserve	-	3,043,702	-	(3,043,702)	-
Share capital increase (Not 13)	109,224	-	-	-	109,224
Balance at 31 December 2010	<u>55,621,667</u>	<u>34,643,883</u>	<u>(957,249)</u>	<u>-</u>	<u>89,308,301</u>
Balance as at 1 January 2009	55,512,443	34,119,905	(3,237,872)	-	86,394,476
Profit for the year	-	-	-	5,228,186	5,228,186
Other comprehensive income	-	-	3,071,856	-	3,071,856
Total comprehensive income for the year	-	-	3,071,856	5,228,186	8,300,042
Transfer to general reserve	-	5,228,186	-	(5,228,186)	-
Interest waived	-	(7,747,910)	-	-	(7,747,910)
Balance at 31 December 2009	<u>55,512,443</u>	<u>31,600,181</u>	<u>(166,016)</u>	<u>-</u>	<u>86,946,608</u>

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

Statement of Cash Flows

At 31 December 2010

	Notes	2010 KD	2009 KD
OPERATING ACTIVITIES			
Profit for the year		3,043,702	5,228,186
Adjustments for:			
Depreciation		82,388	81,822
Net Investment income	3	(3,176,914)	(4,454,145)
Impairment loss on investments available for sale	6	395,920	113,459
Interest income		(1,465,511)	(1,506,442)
Finance lease charges	12	179,617	179,617
		(940,798)	(357,503)
Changes in operating assets and liabilities:			
Investments at fair value through income statement		(1,153,763)	14,675,811
Recoverable claims		(10,288)	1,485,555
Receivable from a member state		-	13,441,597
Due from insurance and reinsurance companies		483,072	-
Accounts receivable and other assets		217,540	360,266
Accounts payable and other liabilities		245,982	35,890
Insurance technical reserves		418,829	378,787
Due to insurance and reinsurance companies		320,789	-
Employees savings and end of service benefits		(1,145,105)	323,587
Cash (used in) from operations		(1,563,742)	30,343,990
Dividend received		563,017	316,832
Interest received		1,115,235	1,506,442
Net cash from operating activities		114,510	32,167,264
INVESTING ACTIVITIES			
Purchase of investments available for sale		(49,940,514)	(18,018,620)
Proceeds from sale of investments available for sale		29,948,969	14,872,082
Acquisition of investment in an associate		-	(1,331,977)
Purchase of property and equipment		(9,420)	(10,915)
Time deposits		(17,000,000)	17,700,000
Net cash (used in) from investing activities		(37,000,965)	13,210,570
FINANCING ACTIVITIES			
Payment of finance lease obligations		(215,028)	(212,711)
Share capital increase	13	109,224	-
Net cash used in financing activities		(105,804)	(212,711)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(36,992,259)	45,165,123
Cash and cash equivalents at beginning of the year		47,746,679	2,581,556
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	10,754,420	47,746,679

The Attached notes 1 to 19 form part of these financial statements



The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

NOTES TO THE FINANCIAL STATEMENTS

31 December 2010

1 - CORPORATE INFORMATION

The corporation is an Arab corporation with a special independent legal status that was incorporated in accordance with a convention between Arab member states. The main objectives of the corporation are to provide guarantee for Inter-Arab investments against non-commercial risks and trade financing among member countries for both commercial and non-commercial risks as defined in its convention. The corporation also promotes investments and trade among its member states.

The corporation is located in Kuwait and its registered address is at P.O. Box 23568 Safat, 13096 – State of Kuwait.

The financial statements were authorised for issue by the corporation's Board of directors on 24 February 2011.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards.

The financial statements are prepared under the historical cost convention except for the measurement at fair value of investments available for sale and investments at fair value through the income statement

The financial statements have been presented in Kuwaiti Dinars which is the functional currency.

Changes in accounting policy and disclosures

The accounting policies used in the preparation of these financial statements are consistent with those used in previous year.

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the corporation's financial statements are listed below. This listing is of standards and interpretations issued, which the corporation reasonably expects to be applicable at a future date. The corporation intends to adopt those standards when they become effective.

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the corporation's financial assets. The corporation will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The corporation does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

The significant accounting policies adopted are set out below:

Income recognition

Net guarantee premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Dividend income is recognised when the right to receive payment is established. Interest income is recognised on a time proportion basis. Interest on doubtful or overdue accounts is suspended and recognised in the income statement as and when received.

Cash and cash equivalents

Cash includes cash in hand and at banks. Cash equivalents include cash and bank balances and deposits with an original maturity of three months or less.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as either financial assets at fair value through income statement, loans and receivables, held to maturity investments, and available for sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through income statement, directly attributable transaction costs.

The corporation determines that classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the corporation commits to purchase the asset. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Investments at fair value through income statement

After initial recognition investments at fair value through income statement are remeasured at fair value with all changes in fair value recognized in the income statement.

Investments available for sale

After initial recognition investments available for sale are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain and loss previously reported in equity is recognized in the income statement. Investments whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.



The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Investment in associate

An associate is an entity over which the company has significant influence usually evidenced by holding of 20% to 50% of the voting power of the investee and has influence but not control over the investee company. The financial statements include the corporation's share of the associate's results using the equity method of accounting.

Under the equity method, the investment in associate is initially recognised at cost and adjusted thereafter for the post-acquisition change in the corporation's share of the associate's equity. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The corporation recognises in the income statement its share of the total recognised profit or loss of the associate from the date that influence effectively commenced until the date that it effectively ceases. Distributions received from the associate reduce the carrying amount of the investment.

Adjustments to the carrying amount may also be necessary for changes in the corporation's share in the associate arising from changes in the associate's equity. The corporation's share of those changes is recognised directly in equity; fair value reserve or foreign currency translation reserve as appropriate.

Unrealised gains on transactions with an associate are eliminated to the extent of the corporation's share in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of impairment in the asset transferred. An assessment for impairment of investments in associates is performed when there is an indication that the asset has been impaired, or that impairment losses recognised in prior years no longer exist.

The associate's financial statements are prepared either to the parent corporation's reporting date or to a date not earlier than three months of the parent company's reporting date using consistent accounting policies. Where practicable, adjustments were made for the effects of significant transactions or other events that occurred between the reporting date of the associates and the parent corporation's reporting date.

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognized when:

- a) The rights to receive cash flows from the asset have expired;
- b) The corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- c) The corporation has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the corporation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the corporation's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the corporation could be required to repay.

The Arab Investment & Export Credit Guarantee Corporation
An Arab Corporation with a Special Independent Legal Status

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Impairment and uncollectibility of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- a) For assets carried at fair value, impairment is the difference between cost and fair value;
- b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

Recoverable claims

In accordance with the corporation's convention, claims incurred and paid by the corporation in compensating insured individuals and entities against non-commercial risks are reimbursable from the respective member state. Claims paid in relation to commercial risks are the responsibility of the importer and are subject to reinsurance arrangements. Accordingly, recoverable claims are stated at face value less provision for doubtful accounts.

Receivables

Receivables are stated at face value, less provision for doubtful accounts.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment as follows:

Motor vehicles	5 years
Furniture and equipment	1 years
Buildings	40 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Payables

Accounts payable are stated at their amortized cost.

Unearned premiums reserve

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The pro-rata attributable to subsequent periods is deferred as a reserve for unearned premiums.



2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Outstanding claims reserve

Estimates are made for the expected ultimate cost of claims reported at the reporting date. The provision for outstanding claims is based on estimates of the loss which will eventually be payable on each unpaid claim, established by management in the light of available information and on past experience and modified for changes in current conditions, increased exposure, rising claims cost and the severity and frequency of recent claims as appropriate.

Finance leases

Assets acquired under finance lease agreements are capitalised in the statement of financial position and are depreciated over their useful economic lives. A corresponding liability is recorded in the statement of financial position for rental obligations under the finance lease. The finance charge is allocated over the period of the lease so as to produce a constant rate of interest on the remaining obligation.

Reinsurance

In the normal course of business, the corporation cedes certain levels of risk in various areas of exposure with reinsurance companies. Reinsurance contracts do not relieve the corporation from its obligations to policy- holders; accordingly, failure of reinsurance companies to honour their obligations could result in losses to the corporation. In the opinion of management, the corporation's exposure to such losses is minimal since losses incurred in compensating policyholders are the ultimate responsibility of counter parties or member states. Amounts recoverable from reinsurance companies are estimated in a manner consistent with the related claim liability.

End of service indemnity

The end of service indemnity for the general manager is calculated in accordance with article No. 6 of the resolution made by the Arab Ministers of Finance and Economy in Abu Dhabi. The end of service indemnity for other employees is based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits.

Foreign currencies

Foreign currency transactions are recorded in Kuwaiti Dinars at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Kuwaiti Dinars at the rate of exchange prevailing on that date. Exchange differences are reported in the income statement.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Provisions

Provisions are recognised when the corporation has a present obligation (legal or contractual) arising from a past event and the costs to settle the obligation are both probable and measurable.

Judgments

In the process of applying the corporation's accounting policies, management has made the following significant judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements:

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of investments

Management decides on acquisition of an investment whether it should be classified as, at fair value through income statement, or available for sale.

Classification of investments as fair value through income statement depends on how management monitors the performance of these investments. When they have readily available reliable fair values and the changes in fair values are reported as part of the results for the period, they are classified as at fair value through income statement.

All other investments are classified as available for sale.

Impairment of investments

The corporation treats available for sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment. In addition, the corporation evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm’s length market transactions;
- current fair value of another instrument that is substantially the same; or
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Guarantee contract liabilities

For guarantee contracts, estimates have to be made for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of guarantee policies.



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3 - Net Investment Income

	2010 KD	2009 KD
Realized gain from sale of investments at fair value through income statement	-	3,151,167
Unrealised gain on investments at fair value through income statement	308,462	-
Realized gain on sale of investments available for sale	2,051,065	800,474
Dividend income	563,017	316,832
Commission income on guarantee funds	211,330	185,672
Share of results of an associate company	43,040	-
	<u>3,176,914</u>	<u>4,454,145</u>

4 - Cash And Cash Equivalents

	2010 KD	2009 KD
Cash in hand and at banks	1,597,973	980,352
Time deposits	<u>26,156,447</u>	<u>46,766,327</u>
	27,754,420	47,746,679
less: Time deposit maturing after three months	(17,000,000)	-
	<u>10,754,420</u>	<u>47,746,679</u>

The average interest rate on deposits range between 0.625% to 2.5% (2009: 2.42% to 3.5%)

The corporation's exposure to interest rate risk and a sensitivity analysis for assets is disclosed in Note 17.

5 - Investments Carried At Fair Value Through Income Statement

	2010 KD	2009 KD
Held for trading:		
Investments in managed portfolios of quoted securities	1,462,225	-
	<u>1,462,225</u>	<u>-</u>

6 - Investments Available For Sale

	2010 KD	2009 KD
Bonds	10,703,711	9,572,544
Managed funds	52,656,730	32,932,440
Investment in Arab Trade Finance Program	365,731	365,731
	<u>63,726,172</u>	<u>42,870,715</u>

Interest-bearing investments available for sale have stated interest rates that range between 5.62% to 13.5% (2009: 4% to 9.75%)

An impairment loss of KD 395,920 (31 December 2009: KD 113,459) has been recorded in respect of the managed funds on which there has been a significant or prolonged decline in value.

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6 - Investments Available For Sale (continued)

Investments in Arab Trade Finance Program represent 0.25% of the capital of the Arab Trade Finance Program, which was established within the framework of the Arab Monetary Fund, to stimulate inter-Arab trade. Due to the unpredictable nature of future cash flow and the lack of suitable other methods for arriving at reliable measure of fair value, the investment is carried at cost.

7 - Investment In An Associate

The corporation has the following investment in an associate:

	Country of incorporation	Percentage of ownership		Principal activity
		2010	2009	
Tunisian External Trade Insurance Company	Tunisia	25%	25%	External Trading Guarantee

During 2009, the corporation acquired 50,000 shares for an amount of KD 1,331,977 being 25% of the share capital of "Tunisian External Trade Insurance Company.", a company incorporated in Republic of Tunisia.

	2010 KD	2009 KD
Share of associate's statement of financial position:		
Net assets	5,327,908	5,327,908
Percentage of ownership	25%	25%
Share of net assets	1,331,977	1,331,977
Share of associate's profit	43,040	-
Net assets value of the associate	1,375,017	1,331,977

8 - Receivable claims

These amounts represent compensation claims paid to Arab nationals against risks realised in member states. In accordance with the inter member states convention, such compensation claims are reimbursable from the importer or member state in which the risk is realised. Accordingly, in the opinion of management, the above claims are recoverable in full.

9 - Due from/TO insurance and reinsurance companies

Due from insurance and reinsurance companies represent the reinsurance companies' share of claims incurred and paid by the corporation under the respective reinsurance contract. Due to insurance and reinsurance companies represent amounts refundable to the reinsurance companies following reimbursement by the counter party or member state. In making settlement with a given reinsurance company, the corporation will observe amounts owed by the reinsurance company and settle on a net basis.



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10 - PROPERTY AND EQUIPMENT

Property and equipment are substantially represented in the carrying amount of the corporation's premises, which were acquired under a finance lease based on the space allocated to and occupied by the corporation in the Joint Building of the Arab Organisations. The premises are being depreciated over the 40-year lease term and the related depreciation charge for the year amounted to KD 67,648 (2009: KD 67,648).

11 - INSURANCE TECHNICAL RESERVES

	2010 KD	2009 KD
Unearned premiums reserve	555,530	161,760
Outstanding claims reserve	242,086	217,027
	<u>797,616</u>	<u>378,787</u>

The corporation estimates the outstanding claims reserve for the claims occurred during the year based on a case by case basis, taking into consideration the nature of the insured risk.

12 - OBLIGATIONS UNDER FINANCE LEASE

The obligations under the finance lease are payable as follows:

	2010 KD	2009 KD
Within one year	179,617	179,617
From the first to the fifth years inclusive	898,085	898,085
Over five years	3,053,489	3,233,106
Due to Arab Fund For Economic And Social Development	4,131,191	4,310,808
Less: Finance charges allocated to future periods	(2,106,516)	(2,250,722)
	<u>2,024,675</u>	<u>2,060,086</u>

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13 - PAID-UP CAPITAL

At 31 December 2010, the capital of the corporation and the share of each member state and other authorities are as follows:

	Issued		Paid	
	2010 KD	2009 KD	2010 KD	2009 KD
A. Member state:				
The Hashemite Kingdom Of Jordan	525,000	525,000	525,000	525,000
United Arab Emirates	2,350,000	2,350,000	2,350,000	2,350,000
Kingdom Of Bahrain	500,000	500,000	500,000	500,000
The Republic Of Tunisia	1,250,000	1,250,000	1,250,000	1,250,000
Peoples' Democratic Republic Of Algeria	1,250,000	1,250,000	1,250,000	1,250,000
Republic Of Djibouti	200,000	200,000	200,000	200,000
Kingdom Of Saudi Arabia	3,750,000	3,750,000	3,750,000	3,750,000
Republic Of Sudan	1,217,932	1,217,932	1,217,932	1,217,932
Syrian Arab Republic	500,000	500,000	500,000	500,000
Somali Democratic Republic	58,735	58,735	58,735	58,735
Republic Of Iraq	500,000	500,000	500,000	500,000
Sultanate Of Oman	750,000	750,000	750,000	750,000
State Of Palestine	500,000	500,000	500,000	500,000
State Of Qatar	2,000,000	2,000,000	2,000,000	2,000,000
State Of Kuwait	3,000,000	3,000,000	3,000,000	3,000,000
Republic Of Lebanon	500,000	500,000	500,000	500,000
The People's Bureau Of The Great Socialist People's Libyan Arab Jamahiriya	2,500,000	2,500,000	2,500,000	2,500,000
Arab Republic Of Egypt	1,250,000	1,250,000	1,250,000	1,250,000
Kingdom Of Morocco	2,000,000	2,000,000	2,000,000	2,000,000
The Islamic Republic Of Mauritania	500,000	500,000	500,000	500,000
The Republic Of Yemen	1,000,000	1,000,000	1,000,000	1,000,000
	26,101,667	26,101,667	26,101,667	26,101,667
B. Arab Financial Authorities:				
Arab Fund For Economical And Social Development	15,202,800	15,202,800	15,202,800	15,202,800
Arab Monetary Fund	8,118,000	8,118,000	8,118,000	8,118,000
BADEA	5,106,960	5,106,960	5,106,960	5,106,960
Arab Authority For Agricultural Investment And Development	1,092,240	1,092,240	1,092,240	983,016
	55,621,667	55,621,667	55,621,667	55,512,443

During the year, the Arab Authority for Agricultural Investment and Development paid its remaining portion of unpaid capital amounting to KD 109,224.



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14 - GENERAL RESERVE

Article 24 of the corporation's convention states that "Net income realised from the corporation's operations is to be accumulated to establish a reserve equal to three times the capital", after which time, the council shall decide the manner of utilisation or distribution of the realised annual profits, provided that no more than 10 percent of such profits shall be distributed and that the distribution shall be made in proportion to the share of each member in the capital of the corporation.

15 - CONTINGENT AND UNRECORDED LIABILITIES

The underlying value of written guarantee contracts in force as of 31 December 2010 amounted to KD 140,847,041 (2009: KD 118,945,465).

In the opinion of management and in accordance with the corporation's business practices, all litigations and claims are the ultimate responsibility of the importer in the case of commercial risks and the ultimate responsibility of the respective member state in the case of non-commercial risks. Accordingly, no provision has been made in the accompanying financial statements in respect of the matters discussed above.

16 - RELATED PARTY TRANSACTIONS

Related parties represent member states. In the normal course of business and upon the management approval, fees of KD 211,330 were received for management of fiduciary assets in favour of one member state (2009: KD 185,672). Non commercial risks related to guarantees granted by the corporation are guaranteed by member states.

17 - RISK MANAGEMENT

Risk is inherent in the corporation's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls.

The main risks arising from the corporation's financial instruments are credit risk, liquidity risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk.

In the normal course of business, the corporation uses primary financial instruments such as cash and cash equivalents, investments, accounts and notes receivable, accrued interest, recoverable claims and payables and as a result, the corporation is exposed to the following risks:

17.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial assets, which potentially subject the corporation to credit risk, consist principally of cash and cash equivalents, time deposits and bonds. Cash is placed with high credit rating financial institutions. Bonds are issued by either high credit rating financial institutions or governments.

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Maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements (if any).

	Gross maximum exposure 2010 KD	Gross maximum exposure 2009 KD
Cash and cash equivalents	10,754,420	47,746,679
Time deposits	17,000,000	-
Investment available for sale (Bonds)	10,703,711	9,572,544
Recoverable claims	593,549	583,261
Due from insurance and reinsurance companies	2,172,054	2,655,126
Accounts receivables and other assets	995,276	651,210
Total credit risk exposure	42,219,010	61,208,820

In the opinion of management, financial assets related to the corporation's investment guarantee business do not expose the corporation to credit risk since such business is backed up by the member states.

17.2 Liquidity risk

Liquidity risk is the risk that the corporation will encounter difficulty in raising funds to meet commitments associated with financial instruments. To manage this risk, the corporation invests in bank deposits or other investments that are readily realisable.

The table below summarises the maturity profile of the corporation's assets and liabilities at 31 December 2010.

The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled. The maturity profile for investments at fair value through income statement and investments available for sale is determined based on management's estimate of liquidation of those financial assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.



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17.2 Liquidity risk (continued)

At 31 December 2010	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
Assets						
Cash and cash equivalents	10,754,420	-	-	-	-	10,754,420
Time deposits	-	-	17,000,000	-	-	17,000,000
Investments at fair value through income statement	1,462,225	-	-	-	-	1,462,225
Investments available for sale	-	-	-	53,022,461	10,703,711	63,726,172
Investments in associate	-	-	-	-	1,375,017	1,375,017
Recoverable claims	-	-	-	593,549	-	593,549
Due from insurance and reinsurance Companies	-	2,172,054	-	-	-	2,172,054
Accounts receivable and other assets	350,276	645,000	-	-	-	995,276
Property and equipments	-	-	-	-	1,569,645	1,569,645
Total Assets	12,566,921	2,817,054	17,000,000	53,616,010	13,648,373	99,648,358
Liabilities						
Accounts payable and accruals	645,686	-	199,882	-	-	845,508
Technical reserves	-	-	-	797,616	-	797,616
Obligation under finance lease	-	-	-	113,843	1,910,832	2,024,675
Due to insurance and reinsurance Companies	-	4,505,995	-	-	-	4,505,995
Employees savings and end of Service benefits	-	-	-	-	2,166,263	2,166,263
Total Liabilities	645,686	4,505,995	199,822	911,459	4,077,095	10,340,057
NET GAP	11,921,235	(1,688,941)	16,800,178	52,704,551	9,571,278	89,308,301

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17.2 Liquidity risk (continued)

At 31 December 2009	Within 3 months KD	3 to 6 months KD	6 to 12 months KD	1 to 3 years KD	Over 3 years KD	Total KD
Assets						
Cash and cash equivalents	47,746,679	-	-	-	-	47,746,679
Time deposits	-	-	-	-	-	-
Investments available for sale	-	-	-	33,298,171	9,572,544	42,870,715
Investments in associate	-	-	-	-	1,331,977	1,331,977
Recoverable claims	-	-	-	583,261	-	583,261
Due from insurance and reinsurance companies	-	2,655,126	-	-	-	2,655,126
Accounts receivable and other assets	280,615	370,595	-	-	-	651,210
Property and equipments	-	-	-	-	1,642,613	1,642,613
Total Assets	48,027,294	3,025,721	-	33,881,432	12,547,134	97,481,581
Liabilities						
Accounts payable and accruals	424,822	-	174,704	-	-	599,526
Technical reserves	-	-	-	378,787	-	378,787
Obligation under finance lease	-	-	-	113,843	1,946,243	2,060,086
Due to insurance and reinsurance companies	-	5,651,100	-	-	-	5,651,100
Employees savings and end of service benefits	-	-	-	-	1,845,474	1,845,474
Total Liabilities	424,822	5,651,100	174,704	492,630	3,791,717	10,534,973
NET GAP	47,602,472	(2,625,379)	(174,704)	33,388,802	8,755,417	86,946,608



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17.3 Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. At present, the corporation has no significant exposure to such risk.

17.4 Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The corporation is exposed to market risk with respect to its investments.

The corporation limits market risk by having substantially all of its investments managed by specialized investment management firms.

17.4.1 Foreign currency risk

The corporation incurs foreign currency risk on transactions that are denominated in a currency other than the Kuwaiti Dinar. The corporation ensures that the net exposure is kept to an acceptable level, by dealing in currencies that do not fluctuate significantly against the Kuwaiti Dinar.

Currency	31 December 2010			31 December 2009		
	Change in currency rate in %	Effect on profit KD	Effect on equity KD	Change in currency rate in %	Effect on profit KD	Effect on equity KD
USD	±5%	136,205	3,038,432	±5%	2,281,039	599,350
GBP	±5%	163	-	±5%	1,704	-
Euro	±5%	4,482	75,986	±5%	5,643	637,067

17.4.2 Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the corporation to cash flow interest risk, whereas fixed interest rate instruments expose the corporation to fair value interest risk.

The corporation's interest risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

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17.4.2 Interest rate risk (continued)

Currency	2010		2009	
	Change in variables	Impact on profit KD	Change in variables	Impact on profit KD
USD	±50 basis	58,106	±50 basis	95,768
EURO	±50 basis	1,035	±50 basis	30,717
OTHERS	±50 basis	125,160	±50 basis	19,968

17.4.3 Equity price risk

Equity price risk arises from the change in the fair values of equity investments. The corporation manages this risk through diversification of investments in terms of geographical distribution and industry concentrations.

The equity price risk sensitivity is determined on the following assumptions:

	2010			2009		
	Change in equity price %	Effect on profit KD	Effect on equity KD	Change in equity price %	Effect on profit KD	Effect on equity KD
Investments at fair value through income statement	±5	73,111	-	±5	-	-
investments available for sale	±5	-	3,186,309	±5	-	2,125,249

18 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate.

At the reporting date, the fair values of financial instruments approximate their carrying amounts, except that it was not possible to reliably measure the fair value of certain investments available for sale as indicated in Note 6.

Fair value hierarchy

As at 31 December 2010, the corporation held the following financial instruments measured at fair value:

The corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that is not based on observable market data



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Fair Value hierarchy (continued)

	Total	Level 1	Level 2	Level 3
31 December 2010	KD	KD	KD	KD
Investments available for sale	63,726,172	47,879,150	11,069,442	4,777,580
Investments at fair value through income statement	1,462,225	1,462,225	-	-
	<u>65,188,397</u>	<u>49,341,375</u>	<u>11,069,442</u>	<u>4,777,580</u>

	Total	Level 1	Level 2	Level 3
31 December 2009	KD	KD	KD	KD
Investments available for sale	42,870,715	-	42,870,715	-
	<u>42,870,715</u>	<u>-</u>	<u>42,870,715</u>	<u>-</u>

19 - FIDUCIARY ASSETS

Assets managed for third parties or held in trust or in a fiduciary capacity are not treated as assets of the corporation and accordingly are not included in these financial statements.

Total fiduciary assets managed by the corporation as at the reporting date was KD 35,014,524 (2009: KD 30,146,424), which represent investments managed on behalf of a member state.