المؤسسة العربية لضمان
الإستثمار وائتمان الصادرات
The Arab Investment & Export
Credit Guarantee Corporation

The Arab Investment and Export Credit Guarantee Corporation (Dhaman) is an autonomous Arab regional organization established in 1974, in accordance with a multi-lateral Convention signed by all 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 the 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 25th March, 2010, Standard & Poor's Rating Services upgraded its credit rating for Dhaman to "AA" as an insurer, compared to "AA-" previously assigned for the past two years in a row, as a long term rating for Dhaman's counterparty credit rating and its financial strenghth rating. The outlook remains "stable". Such rating is one of the highest in the region.

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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 Ashnebesh	Member
H.E. Mr. Jasem Rashed Al Shamsi	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 37th 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 2009.

Please accept my highest consideration,

Nassir Ben Mohamad Al Quhtani

Chairman of the Board of Directors

Khartoum, Sudan, April 2010

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Chapter One:

Overview of Global and Arab Economic Developments

1. Global Economy

The world economy wittensed, during the year 2009, the most severe unbalanced economic periods since the great recession in 1930s, as the negative effects of the global financial and economic crisis, spreading across the worldwide financial systems. As a result, the world economy is decelerating quickly and moved into a recession. After years of strong growth, the global economy growth rate, according to preliminary estimates by the International Monetary Fund (IMF), witnessed a negative real growth rate of 0.8% in 2009 compared to a positive one of 2.99% in 2008. This drop is mainly attributable to a negative growth rate of the **advanced economies group with** 3.2% in 2009, from positive 0.5% in 2008. On the other hand, although the **other emerging markets and developing economies** experienced spiky slowdowns, their growth is projected to remain positive and above the global economy growth rate, reaching, approximately, 2.1%, compared with 6.1% in 2008. This was an outcome of realizing negative growth rates in many counties, such as Russia with 9.0% on one hand, and the relatively accelerating growth in countries such as China 8.7%, India 5.6%, on the other. **Low-income economies**, hit hard by the crisis as its real growth rates are projected to notably decline as a result of a sharp drop in demand on their basic commodities exports. Accordingly, realizing the significant setback in the progress towards halving of extreme poverty by 2015 and other Millennium Development Goals (MDGs), will require more time and greater efforts. In the light of realizing the global economy a negative real growth rate, global nominal GDP is projected to reach approximately US$ 57.2 trillion, down from US$ 60.9 trillion in 2008.

As for the **inflation rate**, measured by the Consumer Price Index on an average annual basis, it notably went down, in **the advanced economies group** from 3.4% in 2008 to 0.1% in 2009 as well as in **other emerging markets and developing economies**, since it declined to 5.2%, from 9.2% in 2008. This is mainly attributable to less global inflationary pressure caused by a combination of higher unemployment rates and wider output gaps in most countries, along with a massive drop in the international prices of oil, gas, primary commodities, minerals and agricultural crops.

Raw material prices

The price index for raw materials (2005=100) dropped by 31.7% during 2009. This increase is attributed to the decline in the price index of energy at a rate of 37.2%, foodstuffs, including beverages and industry inputs by 20.3%, and metals & agricultural crops of 27.3%. A sharp decline in metals prices is an outcome of uneven decline in all metals prices, headed by; aluminum by 37.9%, nickel by 31.4%, tin by 29.6%, iron ore & copper by about 28.0%, lead by 23.6%, uranium by 21.9%, and at last zinc by 20.4%. As a result of weathering the storm, all metals prices, with exception of Iron, are expected to go up during 2010 due to the expected revivals in global demand levels as a result of the global economy recovery.

Crude oil prices

Based on arithmetic average spot prices for Brent, Dubai and East Texas crude oil, the crude oil prices, for the first time after seven years of unprecedented and strong upward trend, have fallen by 36.1% in 2009 against positive price growth of 36.4% in 2008. The average annual price for spot OPEC crude basket during 2009 recorded US$ 61.5/barrel, compared to US$ 97.0, 71.1, 64.3/barrel, for the last three years. Looking ahead, it is expected for the oil prices to hike, in 2010, due mainly to the expected global economic recovery, but on a slower pace.

Although the world economy situation is improving, yet the recovery is still uneven across countries and circumstances for achieving sustained growth remain frail. Credit facilities are still rigid in many developed economies where many financial institutions need to continue the process of financial restructuring and cleansing its balance sheets. High unemployment rates and the large output gap in most countries, along with a number of other cost-push factors, headed by the possibility of wider spread of pandemic influenza A (H1N1), and addressing the climate change problem, continue to set challenges for policymakers worldwide and raise fears of widening the global macroeconomic imbalances that could relapse into global financial instability.

As a matter of fact, the fiscal stimulus policies undertaken to counterpart the crisis have at the same time become a source of concern. Rapidly widening budget deficits are causing public debt to soar, which in turn have raised some governments fear that such levels of public debt could inversely impact economic growth in the longer term. Consequently, there is mounting political pressure in many countries to adopt an exit strategy of the policy stimuli.

The year also witnessed, despite at a slower pace, sustained surpluses in current accounts in China, Japan, newly industrialized countries and some MENA oil exporting countries on one hand and improved deficits in most European countries and USA, on the other. Such improvements are typically at the expense of the counterpart emergence of deficits in the remaining MENA oil exporting countries and in some developed countries like Canada, while increased in others like in UK and Australia.

However, as global demand is still weak, an early exit of the policy stimuli package could call off the initial recovery. Thus, continuing economic stimulus, along with the correction of exchange rate misalignment in many countries are much-needed incentive measures to maintain the momentum of economic recovery and rebalancing world growth towards a more sustainable path so as to avoid a re-emergence of the global financial and economic imbalances.

Foreign direct investment (FDI) inflows in 2009

The global and financial crisis has had a severe influence on foreign direct investment (FDI) flows. Based on preliminary estimates by some of international data sources, headed by the United Nations Conference on Trade and Development (UNCTAD), after declining in 2008 by 17% to US$ 1.73 Trillion from US$ 2.09 Trillion, global FDI inflows are estimated to have plunged by 39%, to a little over US$ 1 Trillion in 2009, reaching US$ 1.04 Trillion. Such drop in 2009 occurred, despite the signs of global economy recoverey appeared during the last quarter of 2009. Such drop is mainly attributable to the negative consequences of the current global financial crisis, featured notably by; a slowdown in economic growth in both advanced and developing countries, a failure to boost the cross-border mergers and acquisitions (M&As), as corporations remain very cautious and bank financing is constrained due to not adequate confidence or rally in equity markets, and postponing either the greenfield or expansions of existing investment decisions.

The impact of the crisis varies widely depending on region and country, with consequently varying impacts on the geographic patterns and trends of FDI flows. A notable characteristic of trends during the year 2009 is that, for the first time ever, developing countries group, especially, emerging markets are expected to attract more inward FDI than the developed countries. This is an outcome of a much better overall economic performance than that of developed countries and an increasing share of inter-emerging markets FDI flows. Consequently, developed countries group has already been hard hit, resulted in an expected massive drop of about 41% compared with inflows a year earlier, reaching US$ 566 billion in 2009 comprising 54% of total world FDI inflows. While the effects of the crisis on developing economies, have so far been weaker, as the growth rate of FDI inflows to developing countries is set to be negative at 35% in 2009, reaching US$ 406 billion, equivalent to 39% of total world FDI inflows comparing to US$ 621 billion and only 37% of the 2008 total. As a matter of fact, the recent reform programs adopted in many of developing countries, which resulted in more liberalization in business environment, have also helped limit the recession-induced fall in FDI inflows.

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 dramatically dropped by 46% to reach US$ 349 billion in 2009 compared to US$ 649 billion in 2008. Such drop is an outcome of:

- A massive decline in the FDI flows, on a net basis, by more than one-third in 2009 reaching US$ 343 billion, as the appetite to invest went down sharply during the recessions, compared to US$ 513 billion in 2008.
- A switch in the cross-border banks and private sector financial institutions lending to borrowers in emerging market economies of US$ 218 billion, on a net basis, to the cross-border lending emerging market banks to borrowers abroad of US$ 82 billion in 2009, net.
- A rebound inflow of the portfolio investment, on a net basis, to US$ 82 billion, which is a dramatic turnaround from the net outflow of US$ 82 billion in 2008.

As for the **international trade** performance, the world trade volume of goods and services massively decreased compared to the level of the two previous years. It realized negative growth rate of 12.3% in 2009 compared to a positive growth rates of 7.3% and 2.8% in 2007 and 2008 in a row. Consequently, the value of world exports of goods and services notably dropped from US$ 19.7 trillion in 2008, to US$ 15.2 trillion in 2009.

Foreign exchange markets

During the year 2009 the USD exchange rate experienced significant volatility against major currencies. During the first quarter of 2009, the US dollar appreciated against Euro, Yen and emerging markets currencies. As a result of increasing traders tendency towards bearing more risks in international markets, the USD depreciated during the most of the remaining period of the year, but it has returned to rise strongly since mid-December 2009 owing to the recovery of the US economy, indicated by declining the number of the U.S. people receiving unemployment insurance, and the unexpected improvement of the U.S. trade deficit as a weak dollar boosted exports overseas.

The export credit insurance and investment guarantee industry

As a matter of fact, the global economic and financial crisis continued to influence the global guarantee industry during 2009, with very strong worldwide demand for export credit insurance and investment guarantee as exporters, investors, and lenders have been increasingly looking to credit and investment insurance as a tool to mitigate risk in these uncertain times. It derived most of investment guarantee & export credit insurance agencies, to play its role in the mainstream instead of margins, as lenders demand greater protection and businesses are looking for credit insurance and investment guarantee as a mean of maintaining liquidity. Despite the rise in claims for non-payment by buyers in developed and developing markets, worldwide investment guarantee and export credit agencies have continued providing high volumes of cover for international trade, especially, for capital goods exports, which went up by 8% compared to its level of 2008. At the Berne Union Annual General Meeting in Seoul from 12-16 October, credit insurers and investment guarantors from all continents announced that the first signs of recovery from the global financial crisis are witnessed, especially in Asia, as economic growth has bounced back and the number of insolvencies is no longer rising. In addition, liquidity costs for banks are decreasing, thus making imports cheaper for these countries. During 2009, the global export credit insurance and investment guarantee market witnessed further expansion in its operations to meet the increasing global demand level under the conditions of liquidity squeeze and credit crunch. In order to play its crucial role in providing the necessary credit and investment insurance to keep trade and investment globally flowing since the outbreak of the financial crisis, the world's leading export credit and investment insurers have responded to the challenge of recovering trade volumes mainly through the following key ways; raising the ceiling for the business volume, raising the cover ratio, supporting the working capital supply for the exporters, and providing liquidity to the exporters and related industries.

Hereby is the latest data available from the 50 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. The members covered over US$ 1.5 trillion worth of business at the end of 2008 compared to US$ 1.3 trillion in 2007, and US$ 1.1 trillion in 2006 in a row, which continued to represent a 10% share of total world export trade. The guarantees are spread between US$ 1.4 trillion of export credit compared to US$ 1.3 trillion in 2007, of which about 89% is for short-term export credit, and US$ 58 billion for investment guarantee compared to US$ 52 billion in 2007, which is equivalent to 4% of the two previous years totals. This is primarily due to the continued growth of international trade at a rate exceeding that of the global economy in 2008 as well as, despite in a slower pace, the continuing occurrence in both; greenfield investment projects and cross-border mergers and acquisitions (M&As) transactions in the extractive industries, energy, raw materials and services sectors.

2. Arab Economy

Arab economic developments

The global financial and economic crisis manifested its negative apparent during 2009 as the Arab region was hard-hit by its negative impact. Preliminary estimates by the International Monetary Fund (IMF) reflect a massive drop in the Arab regions' economic growth rate as it is expected to reach, on average, 2% during 2009 compared to about 5.4% in the previous year. This was an outcome of; three oil exporters recorded negative growth rates ranging between 0.2%-1.6% on one hand, others registered growth rates lower than 4% while the remaining recorded 4%-11.5%, on the other. Despite the Arab economy's growth rate being lower than that of developing countries group; the region rate still outpaces the global growth rate for the tenth year in row.

Inflation in Arab countries, measured by **Consumer Price Index,** decreased noticeably, on an average annual basis, to reach around 8.3% in 2009, compared to 15% in 2008. This was an outcome of the drop in domestic demand, especially in most Arab countries particularly, the Gulf countries' real-estate sector on one hand, and a massive drop in international prices of energy, metals, agricultural crops and foodstuffs, on the other.

Aiming at stimulating domestic demand and mitigating the adverse impact of the crisis, many countries of the region, have already implemented fiscal stimulus and monetary expansion, which led to deterioration in most of Arab countries budgetary balances. But looking forward, and as the world economy has not recovered yet, and the essentiality to continue fiscal stimuli, many of them, especially oil importer countries, are constrained by the lack of additional fiscal stance or monetary easing due to high debt levels or an anticipated upturn in international interest rates from current historical lows.

The decline in oil prices, combined with an expansionary fiscal stance led to a noticeable drop in current account surpluses for most of oil exporting countries, or switching into deficit for others as well as widened current account deficits for most oil importing countries. The combination of the sharp outflows of capital, the drop in inward FDI, and the commitment of most of Arab economies to maintaining fixed exchange rate regimes, led to drawdown of the large stocks of international reserves built during the oil boom years. As a result, the reserves are set to grow only by 4.5% to reach US$ 975 billon in 2009 compared to US$ 933 billon in 2008.

Foreign direct investment inflows to Arab Countries

The aggregate FDI pattern of total Arab region inflows, according to preliminary estimates available from the **United Nations Conference on Trade and Development (UNCTAD)**, mirrors the global story as it is set to fall by 30% in 2009, reaching about US$ 67 billion compared to US$ 96 billion in 2008. This decline is attributable to a slowdown in advanced economies group, representing one important FDI sources to Arab countries during the recent years, the instability in Arab stock exchange markets, generating more uncertainty and further postponing the long-run investment decisions in respect with mega-projects in Arab region. In addition to the 2009 highest ratio of new project startup failure over the previous five years as pointed out by several international reports issued during year 2009. On another front, the ongoing crisis led to a slower growth in global oil demand. Consequently, due to lower oil international prices, the oil export receipts dramatically shrunk which in turn led to a decline in the inter-Arab M&As transactions, further depressing total FDI received by Arab countries as it represents a relatively important component of the total.

The Pattern of Arab trade with the rest of the world

The growth of **Arab exports of goods and services** is projected to shrink reaching US$ 883 billion in 2009, according to preliminary estimates from the **IMF**, compared with US$ 1219 billion a year earlier; a negative growth rate of 27.6%. Despite robust consumption growth, the value of imports is set to fall by 6.3% which exceeds that of the 2009 exports, down to US$ 813 billion in 2009 from US$ 868 billion in 2008. The drop in the Arab region international trade value (export proceeds plus imports payments) is an outcome of a number of factors, headed by the continued slowdown of global economy which led to; a lower level of the global demand for most Arab countries' exports, lower economic growth rates of the majority of Arab countries, which associated with lower demand level for imports of capital and intermediate goods, as well as higher funding costs due to the lack of trade credit to exporters and importers.

In the early 2009, the year witnessed, the **First Arab Economic Summit** held in Kuwait, which assured the importance of both social & developing dimensions of inter-Arab relationship and emphasized the need to an apt launching pad for brining into reality the concept of a common Arab market and creating an international economic bloc with clout. In the late 2009, Gulf countries leaders announced that the Gulf Monetary Union Agreement got into force after it had been ratified by four gulf counties; Saudi Arabia, Kuwait, Qatar, and Bahrain. In addition, time planes were in place to establish the Gulf Central Bank and issuing the unified currency.

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,** continued to grow in 2008, reaching about US$ 13 billion, of which US$ 1.1 billion represents the total value of Dhaman's guarantee contracts concluded during 2008, with growth rate of 48% compared with the 2007 level.

For the total value of insurance contracts in the Arab region, it is expected to rise during 2009, despite the drop registered in inter-Arab trade and investment flows. Increased uncertainty led international trade parties to switch from less secure types of trade finance to more formal banking intermediation arrangements. Consequently, exporters increasingly asked their banks for export credit insurance and/or required from importers to submit a letter of credit. In other countries that have been deeply hit by the crisis more than others, some merchants switched from bank financed trade credit to more general loans, as importers were asked to pay for goods before shipment and exporters sought more liquidity to smooth cash flow. On the other hand, the cost of insuring debt and investment related flows including repatriation of principals and it dividends has recently registered upward trends.

It is noted, during the 3rd wave of the crisis in 2009, that the agencies' activities have been growing in a variety of areas, headed by; factoring as an export financing mechanism, debt collection, and insurance on international syndicated loans, in addition to the growing importance of re-insurance services in the region, replacing part of total re-insurance with foreign companies. With aiming at, among others, strengthening the cooperation amongst Islamic, Arabic and regional ECAs as well as developing the export credit insurance industry, "Amen Union" was established on October 28th, 2009 in Beirut, during the 1st Joint Meeting of Arab and Islamic ECAs, encompassing the membership of 17 Arab and Islamic ECAs.

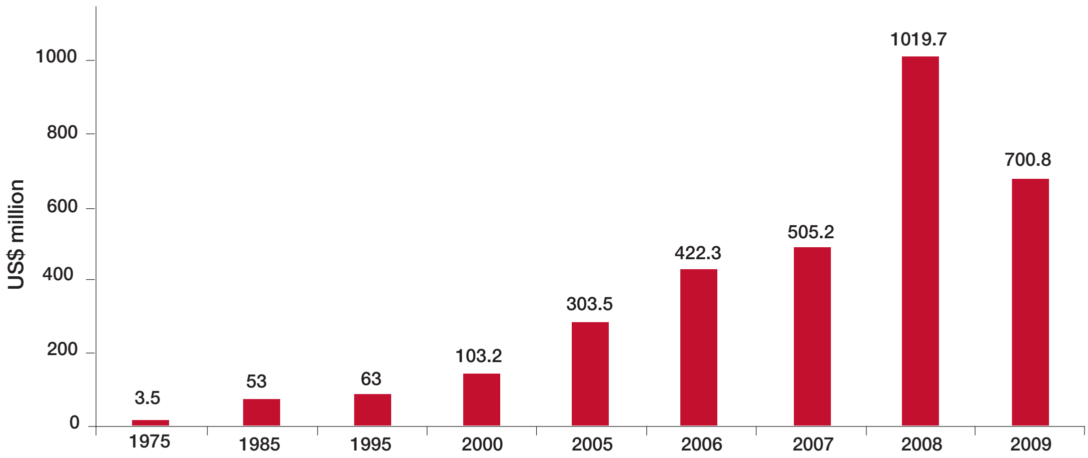
Chapter Two: Guarantee Operations

2.1 Total Value of Operations:

Total value of guarantee contracts signed during 2009 reached approximately US$ 700.8 Million (KD 201.3 million)[1], marking a 31.2% decrease over that of 2008 which totaled US$ 1.019 billion (KD 281.8 million)[2] (see Table 1).

It is worthwhile to mention that the decrease is related to the investment guarantee activity only and is attributed to the negative effects of the 2008 global financial and economic crisis. However the decrease is lower than the decrease of the global Foreign Direct Investment flows estimated at 39% by the UNCTAD.

Growth in value of guarantee contracts



2.1.1 Guarantee Contracts:

Fifty three contracts were signed during 2009, with a cumulative value of US$ 532.5 million (KD 152.9 million). Two of these contracts were in connection with investment guarantee (in addition to an addendum covering an increase of an existing investment guarantee contract) the total of which reached US$ 73.8 million (KD 21.2 million). Fifty one export credit insurance contracts were also signed (plus one hundred and eight addendum that increased the maximum insured value of existing export credit contracts) bringing the total to US$ 458.7 million (KD 131.7 million).

2.1.2 Reinsurance:

The value of transactions attributed to reinsurance treaties totaled approximately US$ 130.8 million (KD 37.6 million), out of which US$ 43.1 million (KD 12.4 million) were inward quota share reinsurance treaties. In addition to that, Dhaman signed 28 facultative reinsurance treaties with a number of Arab export credit agencies, valued US$ 87.7 million (KD 25.2 million).

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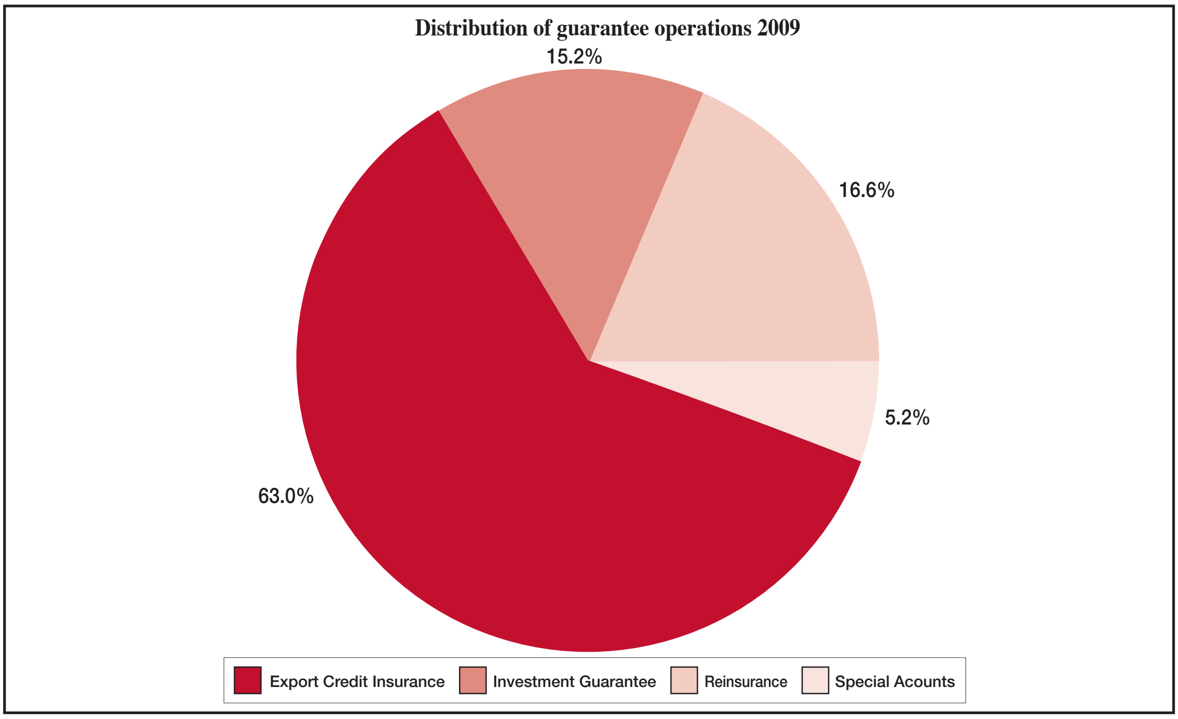
1 US$ 1 = KD 0.2873 as at 31/12/2009

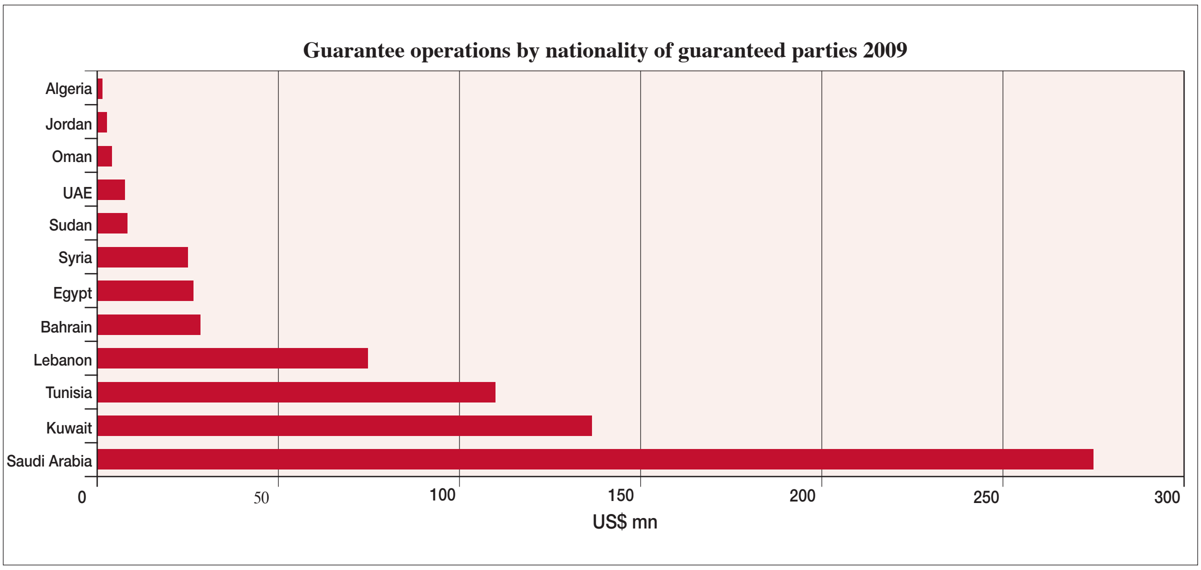
2 US$ 1 = KD 0.2764 as at 31/12/2008

2.1.3 Transactions assigned to Special Accounts:

The total value of these transactions reached US$ 37.5 million (KD 10.8 million), within the context of investment guarantee scheme.

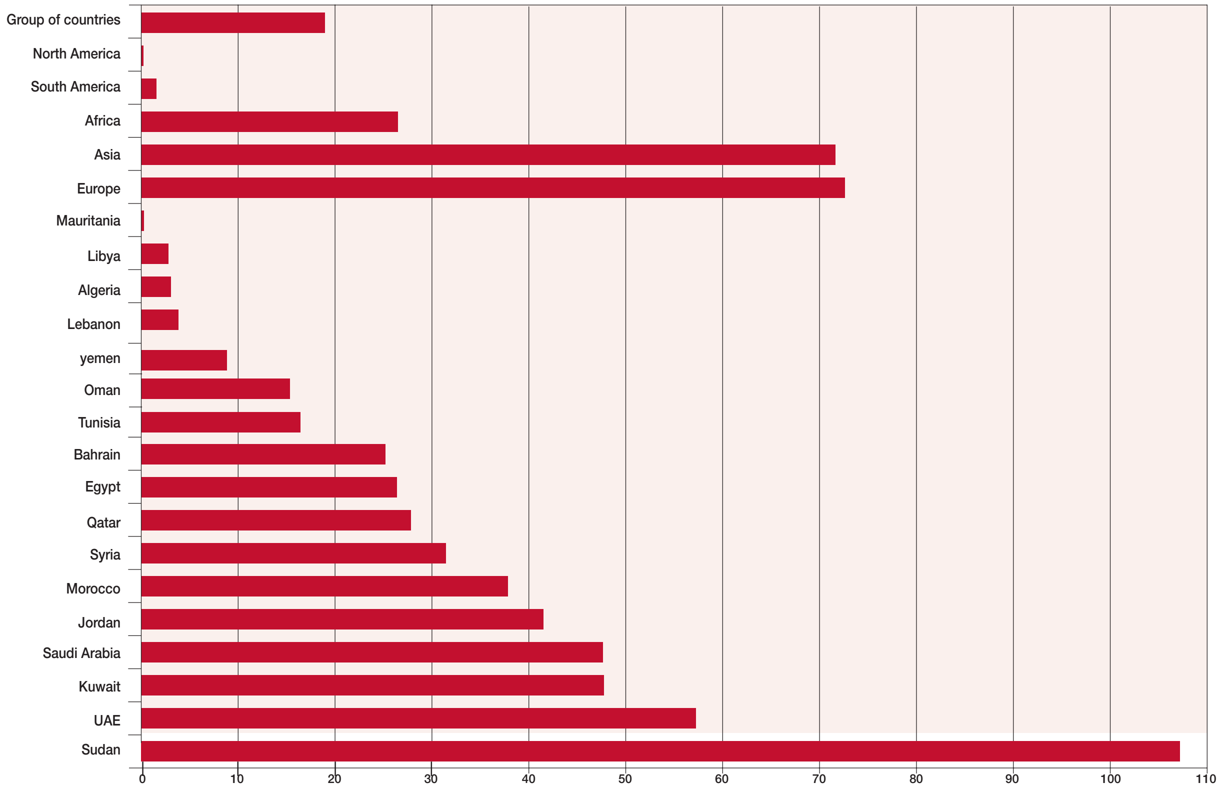


Overall, investors and exporters from twelve Arab countries benefited from Dhaman's guarantee services. At the lead was Saudi Arabia with 39.10%, followed by Kuwait (19.22%), Tunisia (15.64%), Lebanon (10.97%), Bahrain (3.93%), Egypt (3.54%), Syria (3.48%), Sudan (1.50%), United Arab Emirates (1.34%), Oman (0.58%), Jordan (0.45%) and Algeria (0.25%) (see Table 2).



The number of host and importing countries totaled 78 country, of which 17 were Arab countries led by Sudan (15.32%), United Arab Emirates (8.27%), Kuwait (6.83%), Saudi Arabia (6.78%), Jordan (5.89%), Morocco (5.42%), Syria (4.55%), Qatar (4.03%), Egypt (3.88%), Bahrain (3.81%), Tunisia (2.45%), Oman (2.34%), Yemen (1.22%), Lebanon (0.71%), Algeria (0.64%), Libya (0.55%), Mauritania (0.01%), and other countries (27.30) (see Table 3).

Guarantee operations by importing countries 2009



US$ million

2.2 Details of Guarantee Operations:

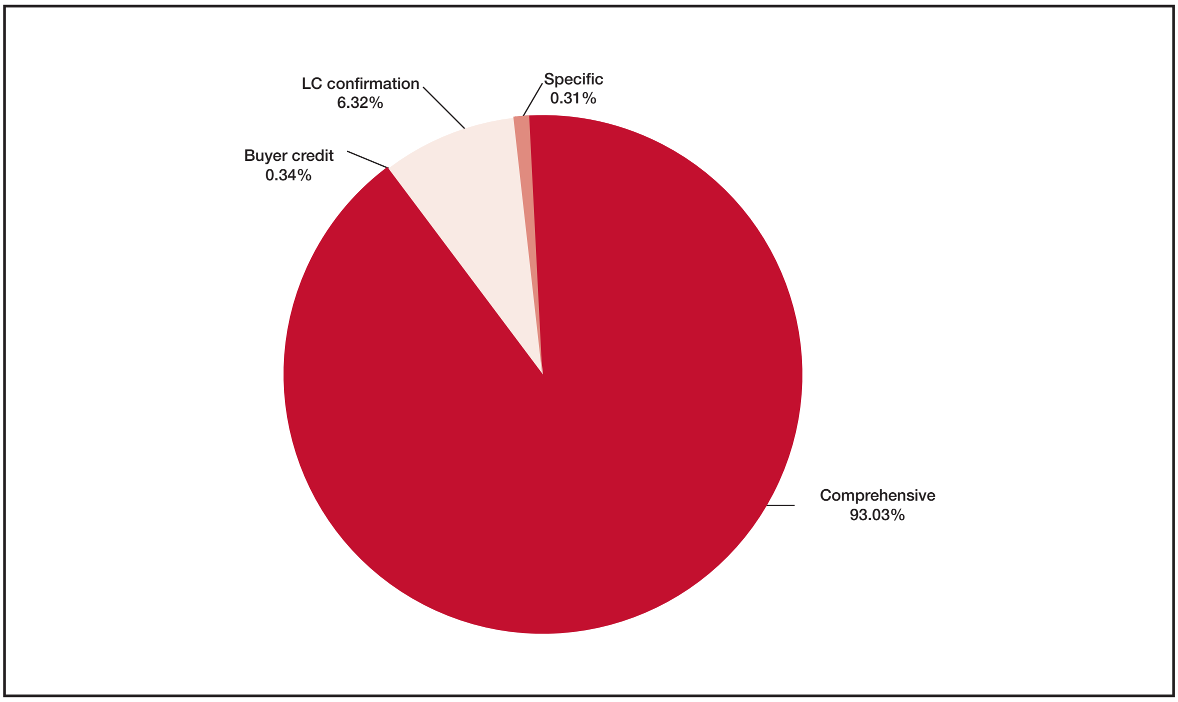
2.2.1 Investment Guarantee Contracts:

The total value of the Investment Guarantee Contracts reached US$ 111.2 million (KD 31.9 million) against US$ 393.3 million in 2008 registering a decrease of 71.7%.

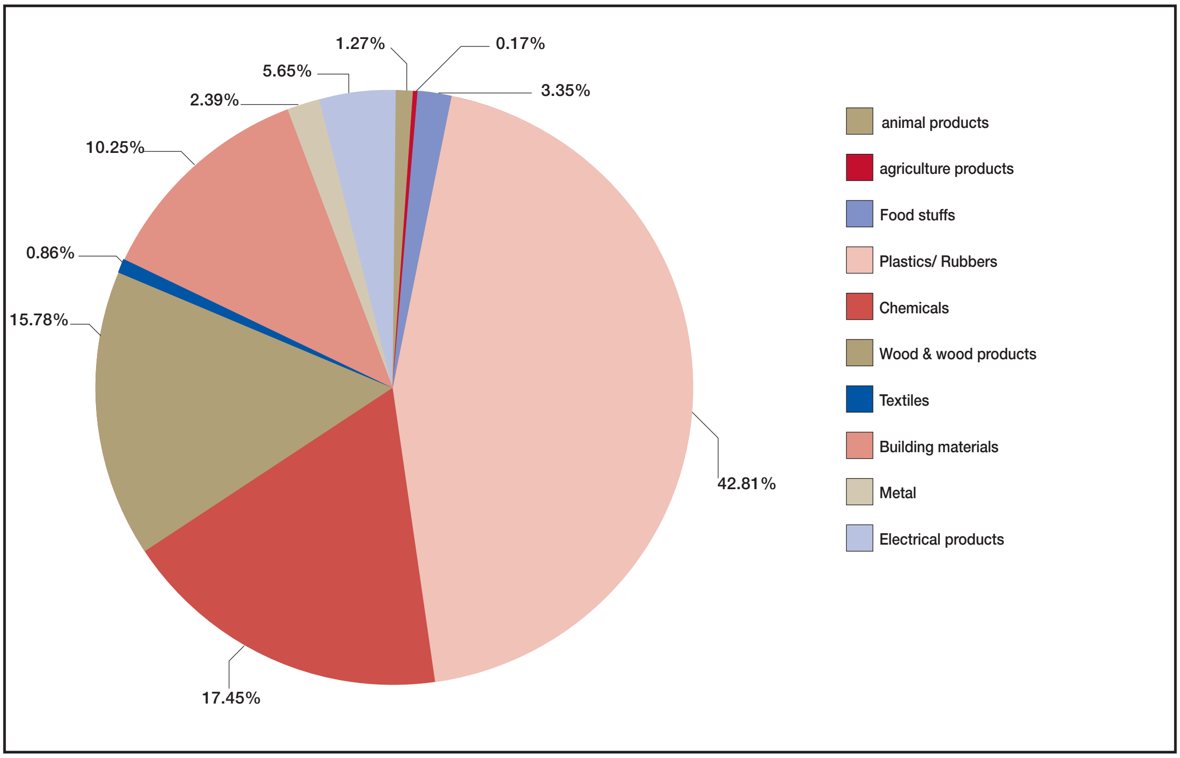
2.2.2 Export Credit Insurance Contracts:

Fifty one export credit insurance contracts were signed during the year, (in addition to one hundred eight addendums which raised the maximum limits of existing contracts) for a total value of US$ 458.7 million (KD 131.8 million) against US$ 449.6 million achieved in 2008. This represents a 2% increase compared to 2008.

Distribution of export credit insurance contracts by type 2009



Classification of goods under export credit insurance 2009



2.3 Value of current contracts & outstanding commitments:

The total value of current contracts as of 31/12/2009 reached US$ 1.151 billion (KD 330.7million), marking a 7% growth compared to 2008 , with investment guarantee contracts accounting for 46.87% and export credit insurance contracts accounting for 53.13%.

2.4 Revenue from Guarantee Operations:

Total revenue generated from guarantee operations at the end of 2009 totaled US$ 4.75 million (KD 1.36 million) approximately, realized from:

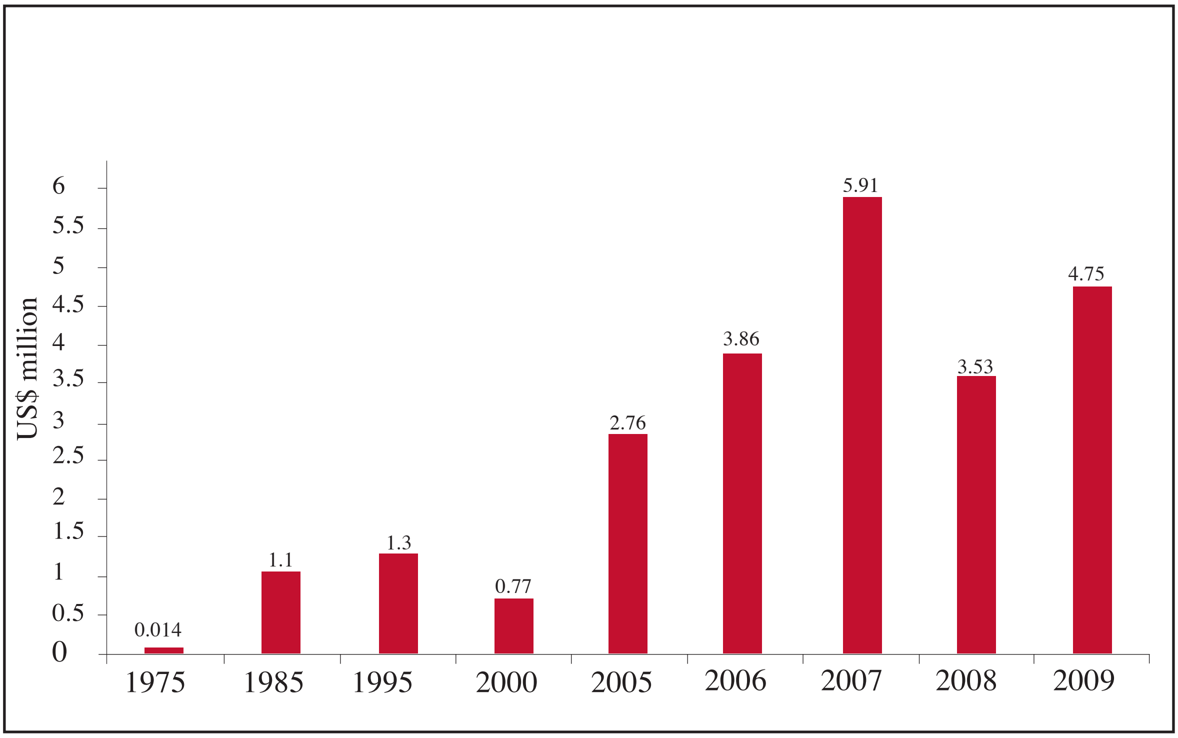
a. US$ 3.45 million (KD 0.99 million), generated by guarantee premium from contracts signed; 55.8% of which were from investment guarantee contracts and 44.2% from export credit insurance contracts.

b. US$ 654.42 Thousand (KD 188.01 Thousand) premium for Special Accounts.

The premium generated during 2009 witnessed an increase by 19.45% against that of 2008.

c. US$ 646.25 Thousands (KD 185.67 Thousand) represent Dhaman's share of the investment income of the Special Accounts' resources.

Revenue from guarantee operations 2009



2.5 Compensation & Recovery

During the year, a claim of US$ 30,000 was paid against the realization of commercial risks. On the other hand, Dhaman recovered US$ 55 Million in connection with compensations previously paid against the materialization of non commercial risks incurred in two member countries.

2.6 Reinsurance

During the year, two new inward quota share reinsurance treaties were signed with two Arab export credit insurance agencies, four similar treaties were renewed with four other Arab ECAs. Dhaman's share in these treaties varies between 2.5% and 70%. Other 28 inward facultative reinsurance treaties were also concluded during the year.

The total value of reinsurance transactions concluded by Dhaman reached approximately US$ 130.8 million (KD 37.6 million), as detailed in section 2.1.2.

2.7 Marketing Guarantee Services:

In addition to regular field visits in Dhaman's headquarters in Kuwait, and in Saudi Arabia, through the Regional Office in Riyadh, Dhaman conducted a number of missions to 7 other Arab countries where a vast number of exporters, investors, banks and financial institutions were visited.

Dhaman executed several mailing campaigns targeting its former clients and large Arab exporting companies, as well as investors and exporters in some member countries.

Fifteen cooperation and commissioning agreements were concluded in several member countries. A number of debt collection agreements were also signed with some Arab export credit insurance agencies.

2.8 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.

Within the framework of Dhaman's Strategic Plan (2007 – 2014), the Aman Union was created in cooperation with the Islamic Corporation for the Insurance of Investment and Export Credit. The Union was officially launched in Beirut in October 2009 after the ratification of its charter by sixteen Arab and Islamic ECAs.

On the other hand, Dhaman concluded a number of M.O.U.'s with Arab ECAs aiming at promoting bilateral cooperation in the fields of reinsurance, country risk assessment and underwriting.

Dhaman took during the year a 25% share in the capital of a leading export credit insurance agency of a Member Country. Dhaman is planning to participate in the capital of some other ECAs.

Table (1)
Total Value of Guarantee Operations During 2009

1. Signed Contracts Under Dhaman's Own Resources

	US $	KD
Investment	73,751,563	21,188,824
Export Credit	458,746,031	131,797,735
Reinsurance	130,873,989	37,600,097
Total	**663,371,583**	**190,586,656**

2. Signed Contracts Under Special Accounts

	US $	KD
Export Credit	-	-
Investment	37,500,000	10,773,750
Total	**37,500,000**	**10,773,750**

Grand Total	**700,871,583**	**201,360,406**

Table (2)
Value of Contracts Signed During 2009 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	26,871,563	7,720,200	24.15%	247,203,459	71,021,554	41.92%	274,075,022	78,741,754	39.10%
2	Kuwait	84,380,000	24,242,374	75.85%	50,331,755	14,460,313	8.54%	134,711,755	38,702,687	19.22%
3	Tunisia	-	-	0.00%	109,646,234	31,501,363	18.60%	109,646,234	31,501,363	15.64%
4	Lebanon	-	-	0.00%	76,911,600	22,096,703	13.04%	76,911,600	22,096,703	10.97%
5	Bahrain	-	-	0.00%	27,534,789	7,910,745	4.67%	27,534,789	7,910,745	3.93%
6	Egypt	-	-	0.00%	24,840,034	7,136,542	4.21%	24,840,034	7,136,542	3.54%
7	Syria	-	-	0.00%	24,368,000	7,000,926	4.13%	24,368,000	7,000,926	3.48%
8	Sudan	-	-	0.00%	10,479,653	3,010,804	1.78%	10,479,653	3,010,804	1.50%
9	UAE	-	-	0.00%	9,356,393	2,688,092	1.59%	9,356,393	2,688,092	1.34%
10	Oman	-	-	0.00%	4,039,746	1,160,619	0.69%	4,039,746	1,160,619	0.58%
11	Jordan	-	-	0.00%	3,139,289	901,918	0.53%	3,139,289	901,918	0.45%
12	Algeria	-	-	0.00%	1,769,068	508,253.24	0.30%	1,769,068	508,253	0.25%
Total for the Year		**111,251,563**	**31,962,574**	**100%**	**589,620,020**	**169,397,832**	**100%**	**700,871,583**	**201,360,406**	**100%**
% of Total		**15.87%**			**84.13%**			**100%**		

Table (3)
Value of contracts Signed During 2009 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**	76,251,563	21,907,074	68.54%	31,100,625	8,935,210	5.27%	107,352,188	30,842,284	15.32%
2	**UAE**	-	-	0.00%	57,958,710	16,651,537	9.83%	57,958,710	16,651,537	8.27%
3	**Kuwait**	-	-	0.00%	47,842,638	13,745,190	8.11%	47,842,638	13,745,190	6.83%
4	**Saudi Arabia**	-	-	0.00%	47,496,218	13,645,663	8.05%	47,496,218	13,645,663	6.78%
5	**Jordan**	-	-	0.00%	41,292,043	11,863,204	7.00%	41,292,043	11,863,204	5.89%
6	**Morocco**	35,000,000	10,055,500	31.46%	2,999,989	861,897	0.51%	37,999,989	10,917,397	5.42%
7	**Syria**	-	-	0.00%	31,875,463	9,157,821	5.41%	31,875,463	9,157,821	4.55%
8	**Qatar**	-	-	0.00%	28,233,480	8,111,479	4.79%	28,233,480	8,111,479	4.03%
9	**Egypt**	-	-	0.00%	27,258,238	7,831,292	4.62%	27,258,238	7,831,292	3.88%
10	**Bahrain**	-	-	0.00%	26,713,752	7,674,861	4.53%	26,713,752	7,674,861	3.81%
11	**Tunisia**		-	0.00%	17,197,019	4,940,704	2.92%	17,197,019	4,940,704	2.45%
12	**Oman**	-	-	0.00%	16,414,465	4,715,876	2.78%	16,414,465	4,715,876	2.34%
13	**Yemen**	-	-	0.00%	8,534,778	2,452,042	1.45%	8,534,778	2,452,042	1.22%
14	**Lebanon**	-	-	0.00%	5,001,306	1,436,875	0.85%	5,001,306	1,436,875	0.71%
15	**Algeria**	-	-	0.00%	4,460,827	1,281,596	0.76%	4,460,827	1,281,596	0.64%
16	**Libya**	-	-	0.00%	3,863,912	1,110,102	0.66%	3,863,912	1,110,102	0.55%
17	**Mauritania**	-	-	0.00%	632	182	0.01%	632	182	0.01%
Total (Arab Countries)		**111,251,563**	**31,962,574**	**100%**	**398,244,095**	**114,415,528**	**67.55%**	**509,495,658**	**146,378,103**	**72.70%**
Europe		-	-	-	73,463,176	21,105,970	12.45%	73,463,176	21,105,970	10.48%
Asia		-	-	-	72,102,357	20,715,007	12.23%	72,102,357	20,715,007	10.29%
Africa		-	-	-	25,753,691	7,399,035	4.37%	25,753,691	7,399,035	3.67%
South America		-	-	-	1,135,266	326,162	0.19%	1,135,266	326,162	0.16%
North America		-	-	-	193,680	55,644	0.03%	193,680	55,644	0.03%
Other countries		-	-	-	18,727,755	5,380,484	3.18%	18,727,755	5,380,484	2.67%
Total (Non-Arab Countries)		0	0	0.00	191,375,925	54,982,303	32.45%	191,375,925	54,982,303	27.30%
Grand Total		**111,251,563**	**31,962,574**	**100%**	**589,620,020**	**169,397,832**	**100%**	**700,871,583**	**201,360,406**	**100%**
% of Total		**15.87%**			**84.13%**					

Table (4)
Value of Current Contracts & Outstanding commitments as at 31/12/2009 by Host/ Importing Countries & 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	240,859,557	69,198,951	58,624,151	16,842,719	299,483,708	86,041,669	210,909,493	60,594,297	28,401,361	8,159,711	239,310,854	68,754,008	57.80%
Syria	100,000,000	28,730,000	50,301,655	14,451,665	150,301,655	43,181,665	51,921,009	14,916,906	17,431,686	5,008,123	69,352,695	19,925,029	16.75%
Libya	104,000,000	29,879,200	31,328,638	9,000,718	135,328,638	38,879,918	18,839,600	5,412,617	52,782	15,164	18,892,382	5,427,781	4.56%
UAE	-	-	57,888,930	16,631,490	57,888,930	16,631,490	-	-	1,795,464	515,837	1,795,464	515,837	0.43%
Saudi Arabia	-	-	44,936,033	12,910,122	44,936,033	12,910,122	-	-	1,660,841	477,160	1,660,841	477,160	0.40%
Kuwait	-	-	43,838,065	12,594,676	43,838,065	12,594,676	-	-	1,075,504	308,992	1,075,504	308,992	0.26%
Morocco	35,000,000	10,055,500	2,959,989	850,405	37,959,989	10,905,905	7,900,000	2,269,670	346,101	99,435	8,246,101	2,369,105	1.98%
Yemen	30,000,000	8,619,000	7,661,554	2,201,164	37,661,554	10,820,164	29,370,347	8,438,101	57,021	16,382	29,427,368	8,454,483	7.11%
Jordan	-	-	35,776,876	10,278,696	35,776,876	10,278,696	-	-	1,718,927	493,848	1,718,927	493,848	0.42%
Tunisia	13,665,329	3,926,049	16,744,421	4,810,672	30,409,750	8,736,721	2,781,317	799,072	1,063,232	305,467	3,844,549	1,104,539	0.93%
Egypt	-	-	29,465,364	8,465,399	29,465,364	8,465,399	-	-	4,489,519	1,289,839	4,489,519	1,289,839	1.08%
Qatar	-	-	23,877,322	6,859,955	23,877,322	6,859,955	-	-	1,394,078	400,519	1,394,078	400,519	0.34%
Bahrain	-	-	22,631,622	6,502,065	22,631,622	6,502,065	-	-	1,144,597	328,843	1,144,597	328,843	0.28%
Lebanon	16,000,000	4,596,800	4,720,897	1,356,314	20,720,897	5,953,114	12,104,857	3,477,725	215,270	61,847	12,320,127	3,539,572	2.98%
Oman	-	-	13,914,459	3,997,624	13,914,459	3,997,624	-	-	725,413	208,411	725,413	208,411	0.18%
Algeria	-	-	4,444,387	1,276,872	4,444,387	1,276,872	-	-	225,218	64,705	225,218	64,705	0.05%
Mauritania	-	-	632	182	632	182	-	-	126	36	126	36	0.02%
Europe	-	-	71,846,535	20,641,510	71,846,535	20,641,510	-	-	4,311,389	1,238,662	4,311,389	1,238,662	1.04%
Asia	-	-	44,792,194	12,868,797	44,792,194	12,868,797	-	-	7,249,244	2,082,708	7,249,244	2,082,708	1.75%
Africa	-	-	25,784,237	7,407,811	25,784,237	7,407,811	-	-	2,815,629	808,930	2,815,629	808,930	0.68%
South America	-	-	1,135,266	326,162	1,135,266	326,162	-	-	227,053	65,232	227,053	65,232	0.05%
North America	-	-	193,680	55,644	193,680	55,644	-	-	38,736	11,129	38,736	11,129	0.01%
Group of countries	-	-	18,727,755	5,380,484	18,727,755	5,380,484	-	-	3,745,551	1,076,096.80	3,745,551	1,076,097	0.90%
Total	**539,524,886**	**155,005,500**	**611,594,662**	**175,711,146**	**1,151,119,548**	**330,716,646**	**333,826,623**	**95,908,389**	**80,184,742**	**23,037,076**	**414,011,365**	**118,945,465**	**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 operations during 2009 by nationality of guaranteed parties

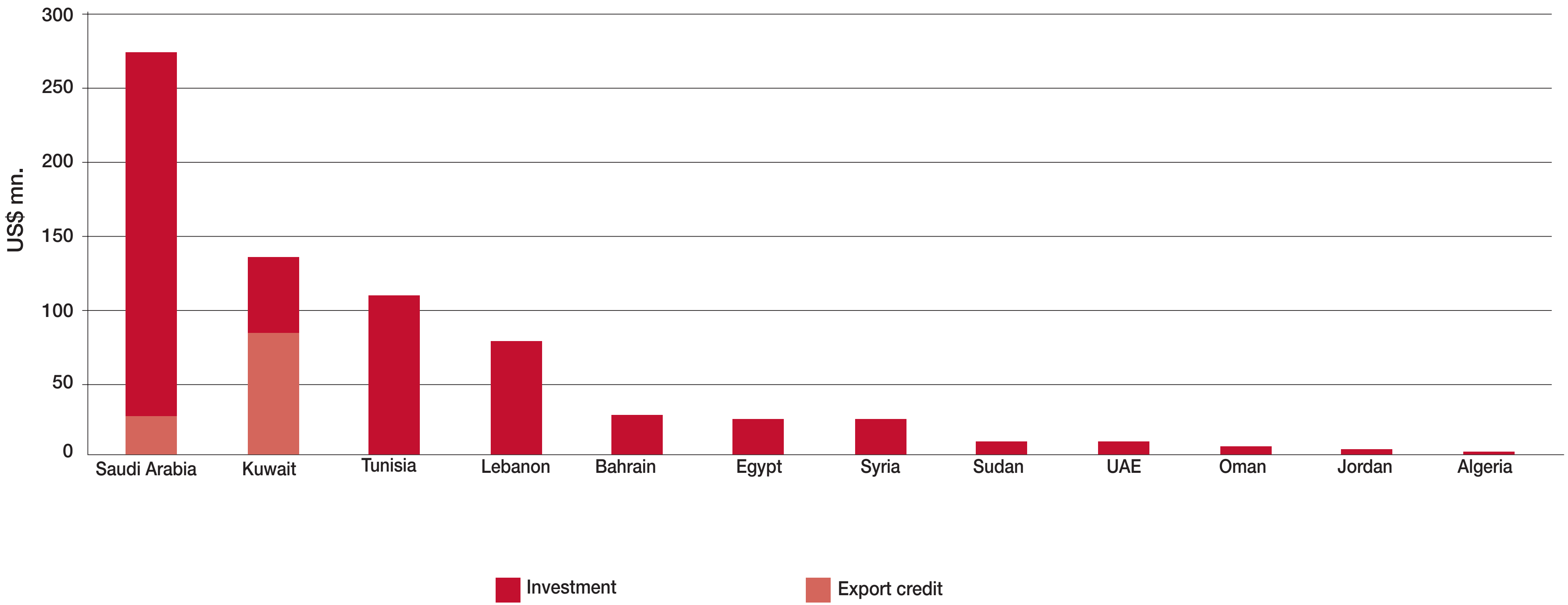


Chart (2)
Guarantee contracts signed during 2009 by host/importing countries

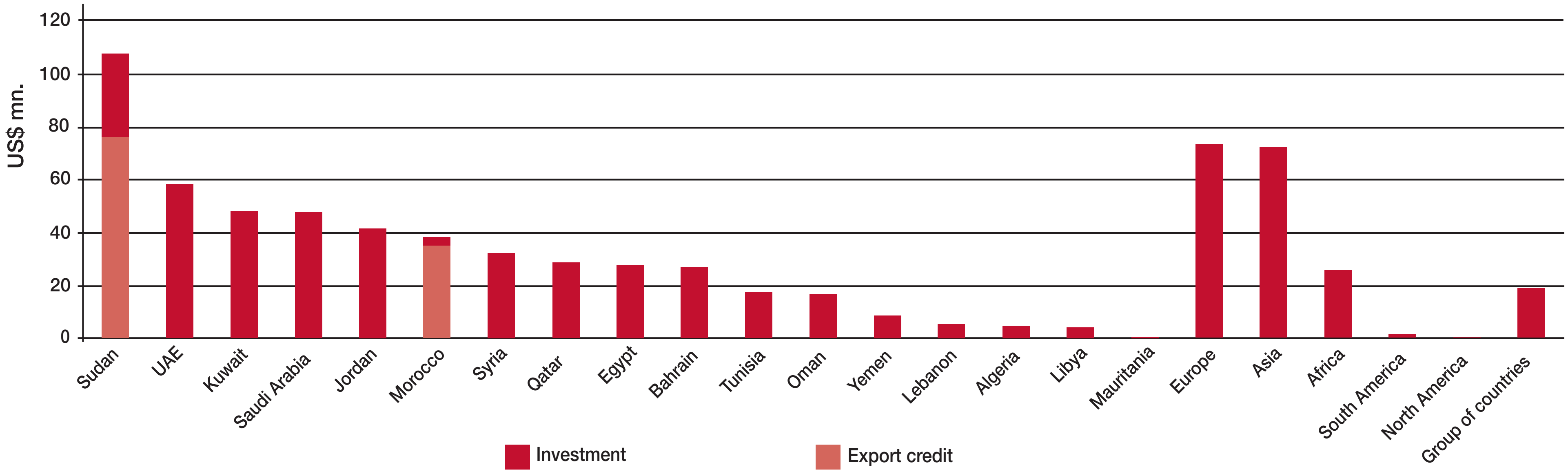
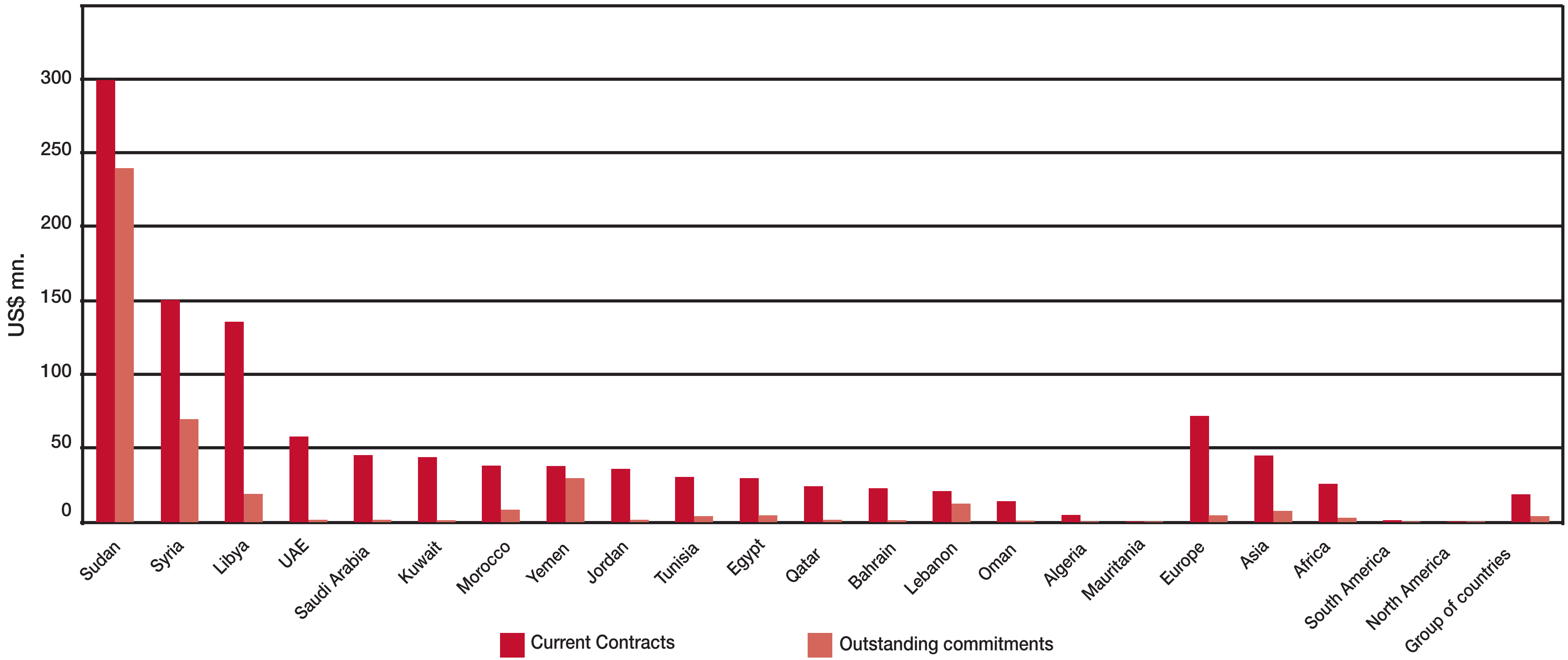


Chart (3)
Total current contracts & outstanding commitments by host/importing countries as at 31/12/2009



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 achieve disseminating information and raising investment awareness amongst Arab investors and businessmen as well as providing advisory reform-services to policymakers in Arab countries, as reflected in its following complementary activities and support services:

3.1.1. "Investment Climate in Arab Countries" Annual Report:

- In 2009, Dhaman published the annual report **"Investment Climate in Arab Countries 2008".** The report included, for the third 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 over the period of 2002 - 2008.

- Approximately **1650 copies** of this report were distributed by mail to concerned parties in member countries, regional organizations, Arab investors and businessmen, Arab media, and many research and study centers. Dhaman has received numerous requests for additional copies of the report, from different sites in Arab countries, especially researchers and post-grad students, within and outside the Arab countries, whose majors and specializations are related to Dhaman's area of expertise. An English executive summary of the report was 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-Istthmar"**, which covered many topics in relation to Investment and export credit guarantees. In addition to the regular topics, a number of important working papers and studies focused on economic debates relevant to FDI and trade were included in the bulletin. The bulletins' editorial statements featured Dhaman's General Director speech on **"The First Arab economic summit, in Kuwait", "The First Arab Investment Conference", "FDI performance in Arab countries and what policy based-reforms need to be done"**, and **"The launch of the Amen Union".** The bulletin also included a series of international studies related to the current financial & economic crisis and its impact on the future FDI flows, trade finance and international trade new evidences from bank surveys in light of the crisis, as well as, tax incentives and their impact on private investment and economic growth, and the determinants of inter-Arab FDI.

- Dhaman Al-Istithmar also covered the 30th GCC Summit, and the developments of Arab countries in a number of important international indicators, such as; Registering Property indicator, the Network Readiness Index, Starting a Business indicator, Enforcing Contracts indicator, Travel & Tourism Competitiveness Index, Paying Taxes indicator and Getting Electricity indicator. These indicators are extremely important in enhancing the investment climate and business environment which 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, besides 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"** bulletins 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 six studies and introductory papers in local and international economic events throughout the year, which were based on the following topics:

- **"Improving Dhaman's Services in Sudan"**, was presented at a seminar under the title of **"The importance of financing mechanisms and insurance to the Sudanese exporters and importers"**, which was held on February 14th, 2009, Khartoum, Sudan, with the participation of Arab Trade Financing Program.
- **"The Investment Climate in Syria, and Dhaman's Role in Facilitating Inter-Arab Investments",** which was presented at **"The 4th Conference on Investment and Capital Markets"**, held in the Damascus, Syria during 24-25 February 2009.
- **"The investment climate in Arab Countries"**, was presented at the opening session of the **"First Arab World Investment Forum"**, organized by Dhaman in Beirut during 22-23 June 2009, it aimed at introducing the participants to recent developments of the investment climate in Arab countries.
- **"Investment experiences in Arab countries"**, was presented on the second day of the **"First Arab World Investment Forum"**. It addressed and identified some of the investment obstacles in Arab countries, and stressed the importance of learning directly from investor's experiences in order to improve the investment climate. In addition to the investment guarantee mechanisms provided by Dhaman to encourage the flows of inter-Arab investments.
- **"The Role of Public and Private Sectors in Increasing Inter-Arab Investments"** was presented at the **"Annual Arab Banking Conference for 2009"** which was held in Beirut, Lebanon during 19-20 November 2009, under the title of "Pan-Arab Investment in light of a New Economic Order".
- **"Guarantee and Insurance Industry"** was presented at the The 1st Joint "**Meeting of Arab & Islamic ECAs"** held in Beirut, Lebanon during 27-28 October 2009. The meeting was organized by Dhaman and The Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), and in cooperation with the Lebanese Credit Insurer (LCI).

3.2. Events Organized or Co-organized by Dhaman:

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

- The 1st General Assembly meeting of the Arab Investment Forum, held in Beirut, Lebanon on 15th January, 2009. The meeting was attended by many representatives from Arab investment promotion agencies (IPAs) in addition to a number of investment agencies in Arab countries.
- A seminar on **"The Role of Export Credit Insurance in Developing Kuwaiti Industrial Exports",** held in collaboration with Kuwait's Public Authority for Industry - Kuwait Industrial Exports Development Center (IEDC) on January 26th, 2009. It was directed at enlightening Kuwaiti exporters about how to benefit from export credit insurance services in developing their own exports. The seminar comes within the framework of implementing the provisions of the Memorandum of Understanding concluded between Dhaman and IEDC in the field of export credit insurance against commercial and noncommercial risk.
- A seminar on **"The importance of financing mechanisms and insurance to the Sudanese exporters and importers"** held in cooperation with the Ministry of Finance, Sudanese Banks Association and Sudanese Businessmen's Union, in Khartoum, Sudan on 14th February 2009.
- The **"First Arab World Investment Forum"** held in Beirut, Lebanon during 22-23 June 2009, in cooperation with Al-Iktissad Wal-Aamal Group and Investment Promotion Agency of Lebanon (IDAL). This forum acts as a regular meeting place for all parties concerned with the new tools and techniques used in the field of promoting and improving its climate in Arab countries.

- **"The Guarantee and Financing of Exports and Investments Forum"** held in Amman, Jordan on 31st May 2009, in cooperation with the Jordanian Loan Guarantee Corporation (JLGC), the Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), and Jordan Enterprise Development Corporation (JEDCO), with the aim of marketing Dhaman's services in the Jordanian market.

- **"The 1st Joint Meeting of Arab & Islamic ECAs"** held in Beirut, Lebanon during 27-28 October 2009, in cooperation with The Islamic Corporation for Insurance of Investment and Export Credit (ICIEC), and the Lebanese Credit Insurer (LCI).

3.3. Cooperation with Arab Institutions and Agencies:

Dhaman was active during the year 2009 in promoting its insurance services and cooperating with Arab Institutions and Agencies through Dhaman's :

- Numerous mail campaigns, were carried out as a part of Dhaman's strategy plan, and mainly targeted banks, active insurance companies in Dhaman's member states, and a number of entities that are related to foreign and expatriate Arabs investments, in addition to a mail campaign which targeted numerous Dhaman's historical clients to update them with Dhaman's latest services, especially in the field of export credit.

- Membership in "Amen Union" which was announced in "The 1st Joint Meeting of Arab & Islamic ECAs" held in Beirut, Lebanon during 27-28 October 2009. The union consists of 17 Arab and Islamic ECAs, which came together to strengthen mutual cooperation among each other, and enhance export credit insurance in Arab and Islamic countries.

- Participation in the meeting on "Strengthening cooperation in the field of trade finance and export credit insurance", which was held in Riyadh, Saudi Arabia during 1-3 November 2009.

- Exchanging delegations with its member states, Dhaman sent visiting delegates to a number of them, such as, Saudi Arabia, UAE, Lebanon, Sudan, Tunisia, Mauritania, Jordan, Yemen and Algeria. On the other hand, Dhaman received delegations from a number of member states in 2009.

- Furthermore, Dhaman has concluded 9 different types of agreements and contracts during 2009, as follows:

  - Four bilateral agreements with Jordan Loan Guarantee Corporation (JLGC); a debt collection, a mutual cooperation, and two reinsurance agreements, one with quotas and the other, optional.

  - A bilateral cooperation agreement to promote investment guarantee and export credit insurance services in Saudi Arabia.

  - A commission based contract with an Agent in Yemen to market Dhaman's services in Yemen.

  - A contract with Compagnie Algerienne d'Assurance et de Garantie des Exportations (CAGEX), to market Dhaman's services in Algeria.

  - A capital share agreement with Tunisia's national Export Credit Agency "COTUNACE", equivalent to 5 million TND, representing 25% of the company's capital increasing it to 20 million TND. Thus, making Dhaman the second-largest shareholder in Cotunace's capital.

  - A Memorandum of Understanding signed with Tunisia's national Export Credit Agency "COTUNACE" during 29-31 December 2009, which aims at establishing cooperation in the fields of joint marketing, reinsurance, underwriting, country risk evaluation, exchanging credit information, recovery and training, in addition to preparing a joint work program for the period 2010-2012.

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, during 19-21 January 2009, and dealt with the latest developments in the field of investment and export credit guarantee in light of the ongoing global financial and economic crisis.

- **Workshops in Tunisia,** during February 2009, jointly organized by Tunisia's national Export Credit Agency «COTUNACE», Dhaman, and a number of banks and economic institutions. One workshop was aimed at credit managers, while the other was directed to Tunisians investing abroad and exporting companies, during which Dhaman's services were introduced.

- **Credit Alliance Annual Regional Meeting,** held during 11-12 May 2009 in Dubai, United Arab Emirates. The meeting addressed issues and recent developments in export credit insurance with focus on factoring and domestic export credit insurance mechanisms.

- **Prague Club Spring Meeting 2009,** held in Minsk, Belarus during 8-10 June 2009. It aimed at enhancing the cooperation with expertise and information exchange between member states.

- **Meeting to Strengthen Cooperation in Trade Finance and Export Credit Insurance** held in Riyadh, Saudi Arabia during 1-3 November 2009. It aimed at strengthening cooperation between financial and insurance institutions working in the field of trade and export.

- **Kuwait Financial Forum,** held in Kuwait during 1-2 November, 2009. The event was attended by a number of ministers, central bank governors and leading financial and investment personnel in the Arab region, who discussed the future of the Arab region in the areas of investment and finance during the ongoing global financial and economic crisis.

- **The Annual Arab Banking Conference for 2009**, titled, "PAN-Arab Investment in Light of a New Global Economic Order" held in Beirut, Lebanon during 19-20 November 2009.

3.5. Development of Human Resources:

Dhaman continued pursuing its objective of enhancing the staff's technical skills & abilities, and improving the HR's performance levels. In 2009, Dhaman sent employees to attend 4 training courses, 3 of which were held in Kuwait. The training courses were in the fields of accounting, customer relationship management, and computer skills (ICDL), in addition to an external training session on Coface's new network for its Credit Alliance members.

3.6. Information Technology:

3.6.1 Applications and Development:

Dhaman has relied on developing its technological systems internally, which allows the system to satisfy the work needs, and gives it the flexibility which allows easier modifications and application switching, if any. In order to ensure rapid and easy flow of information, which saves time, effort and cost, Dhaman continued to improve its developed software performance, especially in the accounting and human resources systems. In the meantime, an electronic legal case tracking system is being tested by the legal administration department.

3.6.2. Infrastructure:

Staying up-to-date with the rapid developments in technology trends and equipment, many servers and computers were replaced, internet services were enhanced and a number of software were updated throughout the year.

3.6.3. Dhaman's Website:

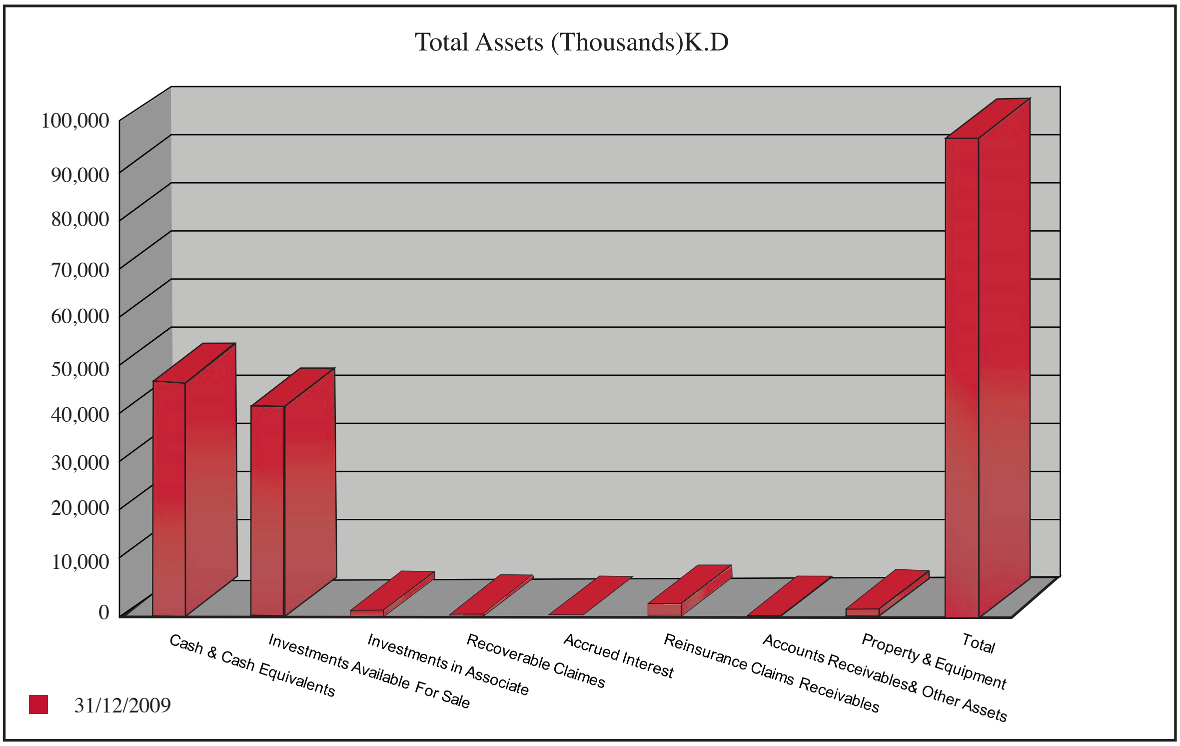
During the year 2009, Dhaman continued the development of its website in both Arabic and English after the launch of its new interface in 2008, especially to its content including; publications and reports, bulletins and periodicals, time series statistics of FDI, and a statistical profile "FDI at a Glance" for each member country containing recent basic economic data and indicators, charts showing the recent performance of (inward/outward) FDI flows in the Arab countries and FDI data by economic sector. Also, data tables of M&A transactions, FDI Greenfield projects, FDI inflows distributed by the host country, and available investment opportunities, if any. In addition, "FDI at a Glance" provides updated information related to Arab IPAs logo, website, address, and telephone numbers. Also a detailed information on investment opportunities in the region and investment-related legislations, can be found on Dhaman's website. Dhaman has also responded to approximately 300 enquiries coming in through the site. Also a French version of Dhaman's website will be launched during the year 2010.

3.7. Media Activities:

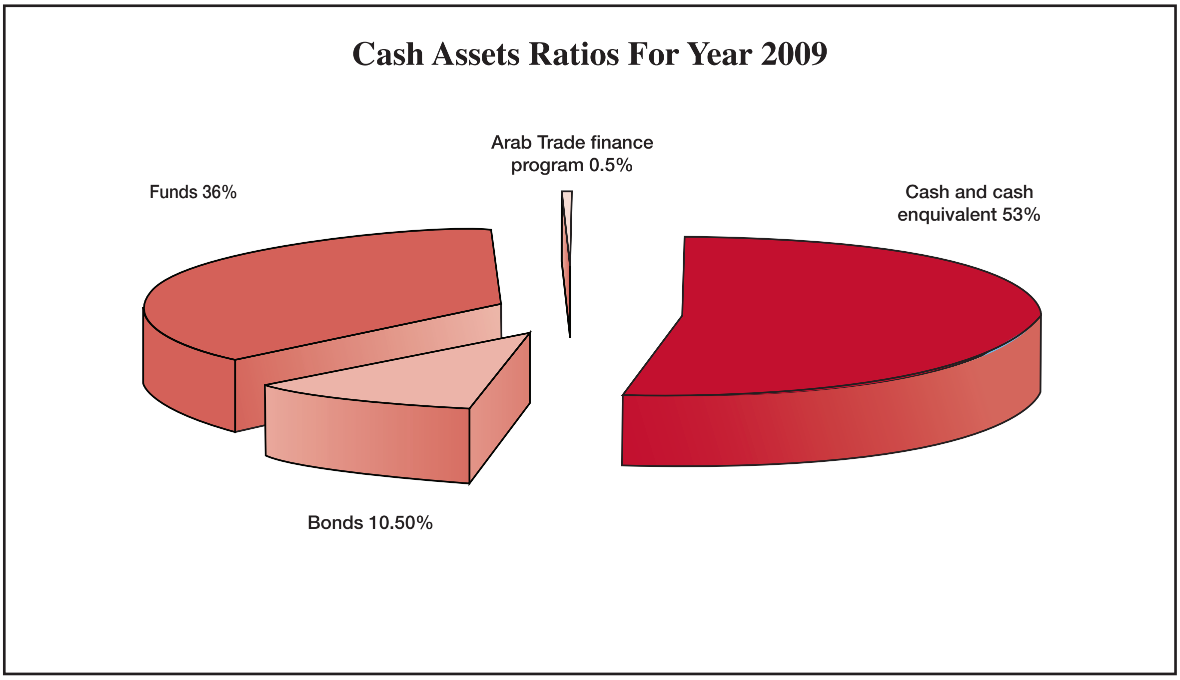
Dhaman has strengthened its media presence in the region and globally, through the application of the most appropriate and modern tools available, to support and demonstrate Dhaman's leadership role in the region, highlight its achievements, and get its message across. As a result, a total of 300 news articles were detected on Dhaman's activities, its participations in conferences, forums, operations, and agreements during the year 2009. Furthermore, many regional newspapers discussed topics from Dhaman's 2008 annual reports and its 2009 quarterly publications.

Chapter Four: Financial Report

The Corporations' Balance Sheet as at 31 December 2009 reveals that the total assets amounted to K.D 97,481,581 (US$ 339,302,405) as shown by the following chart:



The Corporations' Cash Assets amounted to K.D 90,617,394 (US$ 315,410,352) and it is composed of cash and cash equivalents, funds, bonds and equity participation in the Arab Trade Finance Program. The following chart shows the percentage distribution of Cash Assets as at 31 December 2009.



The Shareholder’s Equity as at 31 December 2009 amounted to K.D 86,946,608 (US$ 302,633,512) and it is composed of paid up capital amounted to K.D 55,512,443 (US$ 193,221,173), The general reserve of K.D 31,600,181 (US$ 109,990,188) and the decline in changes in fair value reserve amounted to K.D 166,016 (US$ 577,849).

With regard to income and expenditure as at 31 December 2009, the income from the results of guarantee premiums, interest on bonds, deposits and call accounts, and other income amounted to K.D 2,252,336 (US$ 7,839,666) (income statement).

The investments results showed realized gains of K.D 4,268,473 (US$ 14,857,198) as a result of funds dividends, gain on sale of bonds , funds and portfolios (income statement - note 3), the gain in foreign exchange amounted to K.D 1,301,637 and thus the net operating profit amounted to K.D 7,822,446 (US$ 27,227,449).

With regard to the net results of the year 2009 it reflected a profit of K.D 5,228,186 (US$ 18,197,654).

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

As for the total expenditures it is amounted to K.D 2,480,801 (US$ 8,634,880) as at 31 December 2009, which is lower than the overall expenditures in 2009 projected budget for the amount of K.D 64,199 (US$ 223,456), a rate of 2.50%, as a result of the rationalization of expenditures by the administration to reduce the actual expenses during the last quarter of 2009.

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

FINANCIAL STATEMENTS

31 DECEMBER 2009

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

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 2009 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 notes.

Management's Responsibility for the Financial Statements

The Corporation's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 for 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 reasonableness of accounting estimates made by the 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 of 31 December 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Matters

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 2009 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

1 March 2010

Kuwait

Income Statement
Year Ended 31 December 2009

	Notes	2009 KD	2008 KD
REVENUES:			
Gross guarantee premiums		**990,106**	908,364
Guarantee premiums ceded		**(33,044)**	(75,043)
Net guarantee premiums		**957,062**	833,321
Unearned premiums reserve	12	**(161,760)**	-
Outstanding claims reserve	12	**(217,027)**	-
Net guarantee premiums earned		**578,275**	833,321
Expenses and other commission		**(45,900)**	(49,562)
Guarantee results		**532,375**	783,759
Commission income on guarantee funds		**185,672**	28,104
		718,047	811,863
Interest income on deposits		**921,316**	1,047,742
Interest on bonds		**585,126**	800,019
Net Investment income	3	**4,268,473**	(8,123,292)
Foreign exchange gain (loss)		**1,301,637**	(1,576,215)
Other miscellaneous income		**27,847**	5,908
TOTAL REVENUES		**7,822,446**	(7,033,975)
EXPENSES:			
First Chapter - Salaries, wages and bonuses		**1,593,874**	1,469,229
Second Chapter - General and administrative expenses		**764,341**	758,232
Third Chapter - Capital expenses		**81,822**	81,547
Fourth Chapter - Provisions and others		**40,764**	48,423
TOTAL EXPENSES		**2,480,801**	2,357,431
Profit (Loss) for the year before impairment loss on available for sale investments		**5,341,645**	(9,391,406)
Impairment loss on investments available for sale	6	**(113,459)**	(3,170,374)
PROFIT (LOSS) FOR THE YEAR		**5,228,186**	(12,561,780)

The Attached notes 1 to 20 form part of these financial statements

Statement of Comprehensive income
Year Ended 31 December 2009

	Note	31 December 2009 KD	31 December 2008 KD
Profit (Loss) for the year		**5,228,186**	(12,561,780)
Other comprehensive income			
Net unrealized gain (loss) on investments available for sale		**3,758,871**	(6,916,664)
Net realized gain transferred to income statement on disposal of investments available for sale	3	**(800,474)**	(304,902)
Impairment loss on investments available for sale	6	**113,459**	3,170,374
Other comprehensive income (loss) for the year		**3,071,856**	(4,051,192)
Total comprehensive income (loss) for the year		**8,300,042**	(16,612,972)

The Attached notes 1 to 20 form part of these financial statements

Statement Of Financial Position
At 31 December 2009

	Notes	2009 KD	2008 KD
ASSETS			
Cash and cash equivalents	4	**47,746,679**	2,581,556
Time deposits	4	**-**	17,700,000
Investments at fair value through income statement	5	**-**	11,524,644
Investments available for sale	6	**42,870,715**	35,965,306
Investments in an associate	7	**1,331,977**	-
Receivable from a member state	8	**-**	20,729,131
Recoverable claims	9	**583,261**	2,068,816
Due from insurance and reinsurance companies	10	**2,655,126**	2,655,126
Accounts receivable and other assets		**651,210**	1,286,180
Property and equipment	11	**1,642,613**	1,713,520
TOTAL ASSETS		**97,481,581**	96,224,279
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and other liabilities		**599,526**	563,636
Insurance technical reserves	12	**378,787**	-
Obligations under finance lease	13	**2,060,086**	2,093,180
Due to insurance and reinsurance companies	10	**5,651,100**	5,651,100
Employee savings and end of service benefits		**1,845,474**	1,521,887
TOTAL LIABILITIES		**10,534,973**	9,829,803
EQUITY			
Paid-up capital	14	**55,512,443**	55,512,443
General reserve	15	**31,600,181**	34,119,905
Cumulative changes in fair value		**(166,016)**	(3,237,872)
TOTAL EQUITY		**86,946,608**	86,394,476
TOTAL LIABILITIES AND EQUITY		**97,481,581**	96,224,279

The Attached notes 1 to 20 form part of these financial statements

Statement Of Changes In Equity
Year Ended 31 December 2009

	Paid-up capital	General reserve	Cumulative changes in fair value	Retained earnings	Total
	KD	KD	KD	KD	KD
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 (Note 8)	-	(7,747,910)	-	-	(7,747,910)
Balance at 31 December 2009	**55,512,443**	**31,600,181**	**(166,016)**	**-**	**86,946,608**
Balance as at 1 January 2008	54,006,827	47,099,291	813,320	-	101,919,438
Profit for the year	-	-	-	(12,561,780)	(12,561,780)
Other comprehensive loss	-	-	(4,051,192)	-	(4,051,192)
Total comprehensive loss for the year	-	-	(4,051,192)	(12,561,780)	(16,612,972)
Capital increase	1,505,616	-	-	-	1,505,616
Contribution to support Palestine people	-	(417,606)	-	-	(417,606)
Transfer to general reserve	-	(12,561,780)	-	12,561,780	-
Balance at 31 December 2008	55,512,443	34,119,905	(3,237,872)	-	86,394,476

The Attached notes 1 to 20 form part of these financial statements

Statement Of Cash Flows
At 31 December 2009

	Notes	2009 KD	2008 KD
Operating Activities			
Profit (loss) for the year		**5,228,186**	(12,561,780)
Adjustments for:			
Depreciation		**81,822**	81,547
Net Investment (income) loss	3	**(4,268,473)**	8,123,292
Impairment loss on investments available for sale	6	**113,459**	3,170,374
Interest income		**(1,506,442)**	(1,847,761)
Finance lease charges		**179,617**	179,617
Changes in operating assets and liabilities:		**(171,831)**	(2,854,711)
Investments at fair value through income statement		**14,675,811**	(3,075,548)
Recoverable claims		**1,485,555**	(295,135)
Receivable from a member state		**13,441,597**	(221,201)
Due from insurance and reinsurance companies		**-**	132,583
Accounts receivable and other assets		**174,594**	3,612,209
Accounts payable and other liabilities		**35,890**	22,225
Insurance technical reserves		**378,787**	-
Due to insurance and reinsurance companies		**-**	82,249
Employees savings and end of service benefits		**323,587**	(92,081)
Cash from (used in) operations		**30,343,990**	(2,689,410)
Dividend received		**316,832**	515,546
Interest received		**1,506,442**	1,847,761
Payment to support Palestine people		**-**	(42,606)
Net cash from (used in) operating activities		**32,167,264**	(368,709)
INVESTING ACTIVITIES			
Purchase of investments available for sale		**(18,018,620)**	(14,067,157)
Proceeds from sale of investments available for sale		**14,872,082**	14,730,127
Acquisition of investment in an associate		**(1,331,977)**	-
Purchase of property and equipment		**(10,915)**	(20,941)
Time deposits		**17,700,000**	(7,700,000)
Net cash from (used in) investing activities		**13,210,570**	(7,057,971)

The Attached notes 1 to 20 form part of these financial statements

Statement of cash flow (cotinues)

FINANCING ACTIVITIES			
Payment of finance lease obligations		**(212,711)**	(210,546)
Proceeds from increase in paid up capital		**-**	1,130,616
Net cash (used in) from financing activities		**(212,711)**	920,070
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**45,165,123**	(6,506,610)
Cash and cash equivalents at beginning of the year		**2,581,556**	9,088,166
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	**47,746,679**	2,581,556

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 1 March 2010.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards and practices followed by the "Arab Organisations".

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 except as noted below:

The corporation has adopted the following new and amended IFRS Interpretations:

IAS 1 'Presentation of Financial Statements' (Revised):
The revised standard requires changes in equity arising from transactions with owners in their capacity as owners (ie. owner changes in income) to be presented in the statement of changes in equity. All other changes in equity (i.e. non-owner changes in equity) are required to be presented separately in a performance statement (consolidated statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in Note 19. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 18.

Improvements to IFRSs
In May 2008 and April 2009, the International Accounting Standards Board (IASB) issued certain amendments to its standards primarily with a view to removing inconsistencies and clarifying wordings. The adoption of the following amendments resulted in changes to accounting policies of the corporation, but did not have any impact on the financial position or performance of the corporation.

IAS 1: Presentation of Financial Statements (Revised)
IAS 16: Property, Plant and Equipment effective 1 January 2009
IAS 19: Employee Benefits effective 1 January 2009
IAS 28: Investment in associates effective for annual periods beginning on or after 1 July 2009
IAS 32: Financial instruments: Presentation effective 1 January 2009
IAS 36: Impairment of Asset effective 1 January 2009

IASB Standards and IFRIC Interpretations issued, but not yet mandatory and have not been adopted yet

IAS 27: (Amended) Consolidated and separate financial statements (Revised) effective 1 July 2009
IFRS 9: Financial instruments effective 1 January 2013
IFRIC 16: Hedges of a Net Investment in a Foreign Operation effective 1 October 2009
IFRIC 17: Distribution of Non-Cash Assets to Owners effective 1 July 2009

IAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by IFRS 3 (Revised) and IAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests.

IFRS 9: Financial instruments effective 1 January 2013
IFRS 9 will replace IAS 32 and IAS 39 upon its effective date. The application of IFRS 9 will result in amendments to the classification and measurement of financial assets and liabilities of the financial statements of the corporation. The amendments will be made in the financial statements when the standard becomes effective.

The application of other standards and interpretations are not expected to have material impact on the consolidated financial statements of the corporation.

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.

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. 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.

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.

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. In accordance with article 31 of the employees' internal policy, the indemnities are paid together with the employee savings.

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:

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 charac teristics; 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.

3 - Net Investment Income

	2009 KD	2008 KD
Realized gain from sale of investments at fair value through income statement	**3,151,167**	-
Unrealised loss on investments at fair value through income statement	**-**	(8,943,740)
Realized gain on sale of investments available for sale	**800,474**	304,902
Dividend income	**316,832**	515,546
	4,268,473	(8,123,292)

4 - Cash And Cash Equivalents

	2009 KD	2008 KD
Cash in hand and at banks	**980,352**	1,331,556
Time deposit	**46,766,327**	18,950,000
	47,746,679	20,281,556
Time deposit maturing after three months	**-**	(17,700,000)
	47,746,679	2,581,556

The average interest rate on deposits range between 2.42% to 3.5% (2008: 4.5% to 6.25%)

The corporation’s exposure to interest rate risk and a sensitivity analysis for assets is disclosed in Note 18.

5 - Investments Carried At Fair Value Through Income Statement

	2009 KD	2008 KD
Held for trading:		
Investments in managed portfolios of quoted securities	**-**	11,524,644
	-	11,524,644

6 - Investments Available For Sale

	2009 KD	2008 KD
Bonds	**9,572,544**	11,064,451
Managed funds	**32,932,440**	24,535,124
Investment in Arab Trade Finance Program	**365,731**	365,731
	42,870,715	35,965,306

Interest-bearing investments available for sale have stated interest rates that range between 4% to 9.75% (2008: 4% to 9.75%)

An impairment loss of KD 113,459 (31 December 2008: KD 3,170,374) has been recorded in respect of the managed funds on which there has been a significant or prolonged decline in value.

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
		2009	**2008**	
Tunisian External Trade Insurance Company	Tunisia	**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.

	2009 KD	2008 KD
Share of associate's balance sheet:		
Net assets	**5,327,908**	-
Percentage of ownership	**25%**	-
Share in net assets value of the associate	**1,331,977**	-

The corporation has not accounted for its share of results from the associate company since it is not considered to be material to the income statement.

8 - Receivable From A Member State

Receivables from member state represents amount due from a member state as follows:

	U.S.$
Principle amount	49,897,124
Delay interest	25,086,166
	74,983,290
Equivalent in KD	20,729,131

During the year the member state paid the principal amount in full. The Shareholders Council approved in their cycle no. (3) held on 16 April 2009 to waive the interest of USD 25,086,166 by deducting the amount from the general reserve of the member states.
The movement on the debt is as follows:

	2009 U.S.$	2008 U.S.$
Opening balance	**74,983,290**	74,983,290
Waived interest	**(25,086,166)**	-
Paid during the year	**(49,897,124)**	-
Total as at 31 December	**-**	74,983,290
Equivalent in KD	**-**	20,729,131

9 - RECOVERABLE CLAIMS

	2009 KD	2008 KD
Balance at beginning of the year	**4,071,850**	3,776,715
Net claims paid during the year	**8,803**	297,449
Claims recovered during the year	**(1,494,358)**	(5,961)
Foreign currency exchange difference	**-**	3,647
	2,586,295	4,071,850
Provision for doubtful debts	**(2,003,034)**	(2,003,034)
Balance at end of the year	**583,261**	2,068,816

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.

10 - DUE FROM 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.

11 - 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 (2008: KD 67,648).

12 - INSURANCE TECHNICAL RESERVES

	2009 KD	2008 KD
Unearned premiums reserve	**161,760**	-
Outstanding claims reserve	**217,027**	-
	378,787	-

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.

13 - OBLIGATIONS UNDER FINANCE LEASE

The obligations under the finance lease are payable as follows:

	2009 KD	2008 KD
Within one year	**179,617**	179,617
From the first to the fifth years inclusive	**898,085**	898,085
Over five years	**3,233,106**	3,412,723
Due to Arab Fund For Economic And Social Development	**4,310,808**	4,490,425
Less: Finance charges allocated to future periods	**(2,250,722)**	(2,397,245)
	2,060,086	2,093,180

14 - PAID-UP CAPITAL

At 31 December 2009, the capital of the corporation and the share of each member state and other authorities are as follows:

	Issued		Paid	
	2009 KD	2008 KD	**2009 KD**	2008 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	**983,016**	983,016
	55,621,667	55,621,667	**55,512,443**	55,512,443

15 - 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.

16 - CONTINGENT AND UNRECORDED LIABILITIES

The underlying value of written guarantee contracts in force as of 31 December 2009 amounted to KD 118,945,465 (2008: KD 109,589,305). At the reporting date there were written guarantee contracts reinsured against commercial and non-commercial risks amounted to KD 11,894,220 (2008: KD 11,666,496).

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.

17 - RELATED PARTY TRANSACTIONS

Related parties represent member states. In the normal course of business and upon the management approval, fees of KD 185,672 were received for management of fiduciary assets in favour of one member state
(2008: KD 28,104). Non commercial risks related to guarantees granted by the corporation are guaranteed by member states.

18 - 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:

18.1 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.

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 2009 KD	Gross maximum exposure 2008 KD
Cash and cash equivalents	**47,746,679**	2,581,556
Time deposits	**-**	17,700,000
Investment available for sale (Bonds)	**9,572,544**	11,064,451
Recoverable claims	**583,261**	2,068,816
Due from insurance and reinsurance companies	**2,655,126**	2,655,126
Accounts receivables and other assets	**651,210**	1,286,180
Total credit risk exposure	**61,208,820**	37,356,129

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.

18.2 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 maturity profile of the assets and liabilities at 31 December 2009 was as follows:

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 Assets	47,602,472	(2,625,379)	(174,704)	33,388,802	8,755,417	86,946,608

At 31 December 2008	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	2,581,556	-	-	-	-	2,581,556
Time deposits	-	17,700,000	-	-	-	17,700,000
Investments at fair value through income statement	11,524,644	-	-	-	-	11,524,644
Investments available for sale	-	-	-	31,370,410	4,594,896	35,965,306
Investments in associate	-	-	-	-	-	-
Receivables from a member state	-	-	20,729,131	-	-	20,729,131
Recoverable claims	-	-	1,485,555	583,261	-	2,068,816
Due from insurance and reinsurance companies	-	-	-	2,655,126	-	2,655,126
Accounts receivable and other assets	522,225	645,732	118,223	-	-	1,286,180
Property and equipments	-	-	-	-	1,713,520	1713,520
Total Assets	14,628,425	18,345,732	22,332,909	34,608,797	6,308,416	96,224,279
Liabilities						
Accounts payable and accruals	403,613	-	160,023	-	-	563,636
Insurance technical reserves	-	-	-	-	-	-
Obligation under finance lease	-	-	33,094	2,060,086	-	2,093,180
Due to insurance and reinsurance companies	-	-	-	5,651,100	-	5,651,100
Employees savings and end of service benefits	-	-	-	-	1,521,887	1,521,887
Total Liabilities	403,613	-	193,117	7,711,186	1,521,887	9,829,803
Net Assets	14,224,812	18,345,732	22,139,792	26,897,611	4,594,896	86,394,476

18.3 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.

18.4 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 cause 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.

18.4.1 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.

	31 December 2009			31 December 2008		
Currency	**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%**	**2,281,039**	**599,350**	±5%	9,087,808	472,570
GBP	**±5%**	**1,704**	**-**	±5%	1,253	-
Euro	**±5%**	**5,643**	**637,067**	±5%	4,095	633,348

18.4.2 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.

Currency	**2009** Change in variables	2008 Impact on profit KD	Change in variables	Impact on profit KD
USD	**±50 basis**	**95,768**	±50 **basis**	972,850
EURO	**±50 basis**	**30,717**	±50 **basis**	57,992
OTHERS	**±50 basis**	**19,968**	±50 **basis**	27,704

18.4.3 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:

	2009			2008		
	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**	**-**	**-**	±5	594,519	-
investments available for sale	**±5**	**-**	**2,125,249**	±5	-	1,779,978

19 - 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 2009, 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

Fair Value hierarchy (continued)

based on observable market data

31 December 2009	**Total KD**	**Level 1 KD**	**Level 2 KD**	**Level 3 KD**
Investments available for sale	**42,870,715**	**-**	**42,870,715**	**-**
	42,870,715	**-**	**42,870,715**	**-**

31 December 2008	Total KD	Level 1 KD	Level 2 KD	Level 3 KD
Investments at fair value through income statement	11,524,644	11,524,644	-	-
Investments available for sale	35,965,306	-	35,965,306	-
	47,489,950	11,524,644	35,965,306	-

20 - 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 30,146,424 (2008: KD 27,156,163), which represent investments managed on behalf of a member state.