BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT

بنك بوبيان
Boubyan Bank

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Boubyan Bank K.S.C.
State of Kuwait

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Boubyan Bank K.S.C. ("the Bank") and its subsidiaries (collectively "the Group") which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted for use by the State of Kuwait.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of accounts have been kept by the Bank and the consolidated financial statements together with the contents of the report of the Bank's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all the information that is required by the Kuwait Commercial Companies Law of 1960, as amended, and by the Bank's Articles of Association; that an inventory count was duly carried out; and that, to the best of our knowledge and belief, no violations of the Kuwait Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Bank have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Group or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 32 of 1968, as amended, concerning currency, the Central Bank of Kuwait and the organization of banking business, and its related regulations during the year ended 31 December 2010, and based on the Bank's Sharia Board report issued on 18 January 2011, we are not aware of any violations of the fatwas and rulings of the Bank's Sharia Board.

Jassim Ahmad Al-Fahad
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Al-Fahad, Al-Wazzan & Co.
Deloitte & Touche

Safi A. Al-Mutawa
License No. 138-A
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International

30 January 2011
Kuwait

بنك بوبيان
Boubyan Bank

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2010

	Notes	2010 KD'000	2009 KD'000
Income			
Murabaha and other Islamic financing income		41,766	34,960
Investment income	5	6,844	7,325
Fees and commissions income	6	8,001	3,620
Share of results of associates	16	1,099	518
Net foreign exchange gain		777	755
Other income		80	330
		58,567	47,508
Expenses			
Staff costs		(13,323)	(10,446)
General and administrative expenses		(8,291)	(7,674)
Depreciation and amortization		(1,624)	(1,505)
		(23,238)	(19,625)
Profit before Murabaha cost, investment loss, provision for impairment and distribution to depositors		35,329	27,883
Murabaha cost		(1,862)	(1,768)
Investment loss	5	(9,086)	(27,342)
Provision for impairment	7	(9,089)	(39,511)
Profit / (loss) before distribution to depositors		15,292	(40,738)
Distribution to depositors	8	(9,045)	(11,275)
Profit / (loss) after distribution to depositors		6,247	(52,013)
National Labour Support Tax ("NLST")		(176)	-
Zakat		(76)	-
Net profit / (loss) for the year		5,995	(52,013)
Attributable to:			
Equity holders of the Bank		6,109	(51,695)
Non-controlling interests		(114)	(318)
Net profit / (loss) for the year		5,995	(52,013)
Earnings / (loss) per share attributable to the equity holders of the Bank (fils)	9	3.61	(37.12)

The notes from 1 to 32 form an integral part of these consolidated financial statements.

بـنـك بـوبـيـان
Boubyan Bank

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010	2009
	KD'000	KD'000
Profit / (loss) for the year	5,995	(52,013)
Other comprehensive income		
Change in fair value of available for sale investments	(2,313)	(467)
Impairment losses transferred to the consolidated statement of income	3,084	2,396
Foreign currency translation adjustments	(1,503)	1,649
Other comprehensive (loss) / income for the year	(732)	3,578
Total comprehensive income / (loss) for the year	5,263	(48,435)
Attributable to:		
Equity holders of the Bank	5,314	(48,013)
Non-controlling interests	(51)	(422)
Total comprehensive income / (loss) for the year	5,263	(48,435)

The notes from 1 to 32 form an integral part of these consolidated financial statements.

BOUBYAN BANK K.S.C. AND SUBSIDIARIES
STATE OF KUWAIT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

بنك بوبيان
Boubyan Bank

	Notes	2010 KD'000	2009 KD'000
Assets			
Cash and cash equivalents	10	40,661	51,608
Due from banks	11	278,979	170,596
Islamic financing to customers	12	824,567	576,558
Financial assets at fair value through profit or loss	13	45,705	41,488
Available for sale investments	14	58,639	66,232
Investments in associates	16	21,080	7,386
Trading properties		2,800	2,862
Investment properties	17	30,788	35,914
Other assets	18	8,306	7,825
Property and equipment		4,733	4,310
Total assets		1,316,258	964,779
Liabilities and Equity			
Liabilities			
Due to banks	19	120,854	156,781
Depositors' accounts	20	941,028	708,957
Other liabilities	21	14,266	9,935
Total liabilities		1,076,148	875,673
Equity			
Share capital	22	174,824	116,531
Share premium	23	87,728	280
Statutory reserve	24	3,913	3,913
Voluntary reserve	25	3,591	3,591
Fair value reserve		1,943	1,235
Foreign currency translation reserve		(1,473)	30
Accumulated losses		(32,336)	(38,445)
Equity attributable to equity holders of the Bank		238,190	87,135
Non-controlling interests		1,920	1,971
Total equity		240,110	89,106
Total liabilities and equity		1,316,258	964,779

Ibrahim Ali Al-Qadhi
Chairman

Adel Abdul Wahab Al Majed
Vice Chairman & Managing Director

The notes from 1 to 32 form an integral part of these consolidated financial statements.

بـنـك بـوبـيـان
Boubyan Bank

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Share capital	Share premium	Statutory reserve	Voluntary reserve	Fair value reserve	Foreign currency translation reserve	Retained earnings/ (accumulated losses)	Attributable to equity holders of the Bank	Non-controlling interests	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Balance at 1 January 2009	116,531	280	3,913	3,591	(798)	(1,619)	13,250	135,148	2,393	137,541
Total comprehensive loss for the year	-	-	-	-	2,033	1,649	(51,695)	(48,013)	(422)	(48,435)
Balance at 31 December 2009	116,531	280	3,913	3,591	1,235	30	(38,445)	87,135	1,971	89,106
Increase in share capital (note 22)	58,293	87,448	-	-	-	-	-	145,741	-	145,741
Total comprehensive income for the year	-	-	-	-	708	(1,503)	6,109	5,314	(51)	5,263
Balance at 31 December 2010	174,824	87,728	3,913	3,591	1,943	(1,473)	(32,336)	238,190	1,920	240,110

The notes from 1 to 32 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

بنك بوبيان
Boubyan Bank

	Notes	2010 KD'000	2009 KD'000
OPERATING ACTIVITIES			
Net profit / (loss) for the year		5,995	(52,013)
Adjustments for:			
Provision for impairment	7	9,089	39,511
Depreciation and amortization		1,624	1,505
Foreign currency translation adjustments		4,224	(6,611)
Gain on sale of investments		(235)	(156)
Net unrealized loss from financial assets at fair value through profit or loss		390	2,531
Share of results of associates		(1,099)	(518)
Dividend income		(530)	(1,074)
Net unrealized loss from change in fair value of investment properties		4,795	2,646
Impairment loss on available for sale investments		3,084	2,396
		27,337	(11,783)
Changes in operating assets and liabilities:			
Due from banks		(111,531)	(55,105)
Islamic financing to customers		(253,780)	(115,068)
Other assets		(480)	2,094
Due to banks		(35,927)	38,650
Depositors' accounts		232,071	139,321
Other liabilities		4,158	(4,959)
Dividend income received		530	1,074
Net cash used in operating activities		(137,622)	(5,776)
INVESTING ACTIVITIES			
Purchase of financial assets at fair value through profit or loss		(6,810)	(2,416)
Proceeds from sale of financial assets at fair value through profit or loss		25	5,417
Purchase of available for sale investments		(20,940)	(12,235)
Proceeds from sale / redemption of available for sale investments		25,159	5,395
Dividends from associates		-	500
Acquisition of associates		(12,887)	-
Purchase of investment properties		(4,482)	(6,504)
Proceeds from sale of investment properties		2,915	158
Purchase of property and equipment		(2,046)	(927)
Net cash used in investing activities		(19,066)	(10,612)
FINANCING ACTIVITES			
Increase in share capital		145,741	-
Net cash generated from financing activities		145,741	-
Net decrease in cash and cash equivalents		(10,947)	(16,388)
Cash and cash equivalents at the beginning of the year		51,608	67,996
Cash and cash equivalents at the end of the year	10	40,661	51,608

The notes from 1 to 32 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

Boubyan Bank K.S.C. ("the Bank") is a public shareholding company incorporated on 21 September 2004, in accordance with the Commercial Companies Law in the State of Kuwait, by Amiri Decree No. 88 and in accordance with the rules and regulations of the Central Bank of Kuwait ("CBK") (Law No. 30 passed in 2003). The Bank's shares were listed in Kuwait Stock Exchange on 15 May 2006.

The Bank was licensed by the Central Bank of Kuwait on 28 November 2004. The Bank is principally engaged in providing banking services, in accordance with Codes of the Islamic Sharia'a, as approved by the Bank's Sharia'a Supervisory Board.

The address of the Bank's registered office is P.O. Box 25507, Safat 13116, State of Kuwait.

The consolidated financial statements were authorised for issue by the Board of Directors on 30 January 2011.

2. ADOPTION OF NEW AND REVISED STANDARDS

During the year, the Group has adopted all the standards that came into effect for annual periods beginning on or after 1 January 2010. The main changes in the Group's accounting policies relate to IFRS 3 (Revised) "Business Combinations" and consequential amendments to IAS 27 "Consolidated and Separate Financial Statements" and IAS 28 "Investments in Associates".

IFRS 3 (revised in 2008) Business Combinations

IFRS 3 (2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. The revised standard requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in the consolidated statement of income as incurred, whereas previously they were accounted for as part of the cost of the acquisition. It also allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. If the business combination is achieved in stages, the acquirer's equity interest held prior to control being obtained are remeasured to fair value at the date of obtaining control, and any gain or loss is recognized in the consolidated statement of income.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

The revised Standard has specifically, affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in the consolidated statement of income. Under IAS 27 (2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27 (2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in the consolidated statement of income.

None of the other new standards, interpretations and amendments effective for the first time from 1 January 2010, have had a material effect on the consolidated financial statements.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and interpretations in issue not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which is effective for annual periods beginning on or after 1 January 2013. IFRS 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. It requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The application of the new Standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), and Interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, as adopted for use by the State of Kuwait for financial services institutions regulated by the CBK. These regulations require adoption of all IFRS except for the IAS 39 requirement for collective impairment provision, which has been replaced by the CBK requirement for a minimum general provision as described in the impairment and uncollactability of financial assets accounting policy.

The accounting policies have been applied consistently by the Group and are consistent with those used in the previous year, except for changes resulting from amendments to IFRSs as mentioned in note 2.

Accounting convention

Unless otherwise indicated, the consolidated financial statements are presented in Kuwaiti Dinars rounded to the nearest thousand. The consolidated financial statements are prepared under the historical cost convention, except for certain available for sale investments, financial assets at fair value through profit or loss and investment properties that are stated at fair value.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its principal operating subsidiaries, Boubyan Takaful Insurance Company K.S.C. and Boubyan Capital Investment Company K.S.C., which are controlled by the Bank (collectively "the Group") as mentioned in note 15. Control is achieved when the Bank has the power to govern the financial and operating policies of a subsidiary company so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed off during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to equity holders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Bank. All inter-group transactions, balances, income, expenses and unrealized gains are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from banks and Islamic financing to customers

Murabaha

Murabaha is an agreement relating to the sale of commodities at cost plus an agreed upon profit margin, whereby the seller informs the buyer of the price at which the deal will be completed and also the amount of profit to be recognized. Murabaha is a financial asset originated by the Group stated at amortized cost net of provision for impairment.

Wakala

Wakala is an agreement involving Al-Muwakkil (the Principal) who wishes to appoint Al-Wakil (the Agent) to be his agent with respect to the investment of Al-Muwakkil's fund, in accordance with regulations of the Islamic Sharia'a. Wakala is a financial asset originated by the Group and stated at amortized cost net of provision for impairment.

Leased assets - the Group as a lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating lease. Leased assets are stated at amounts equal to the net investment outstanding in the leases less provision for impairment.

Investments

Investments are recognised and derecognised on settlement date. Investments are classified into the following categories:

- Financial assets at fair value through profit or loss ; and
- Available for sale investments.

Financial assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets are classified at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis.

Financial assets at FVTPL are measured initially at cost, which is the fair value of the consideration given. After initial recognition, the Group measures these assets at their fair values, without any deduction for transaction costs it may incur on sale or other disposal thereof with any resultant gain or loss recognised in profit or loss.

Available for sale investments

Available for sale investments are non-derivative investments that are not designated as another category of financial assets.

Available for sale investments are initially measured at cost, which is the fair value of the consideration given, plus directly attributable transaction costs. Gains and losses arising from subsequent changes in fair value are recognised in other comprehensive income, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the consolidated statement of income for the year.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and settlement date accounting

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in the fair value between trade date and settlement date are recognized in the consolidated statement of income for financial assets at fair value through profit or loss and are recognized in other comprehensive income for available for sale investments. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Group intends to settle on a net basis so as to realize the assets and liabilities simultaneously.

Income and expenses are presented on a net basis only if it is so permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Investments in associates

Associates are enterprises over which the Group exercises significant influence, and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in financial and operating policy decisions but not in control or joint control over those policies.

The results of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's share of ownership in that associate (which includes any long-term share of ownership that, in substance, form part of the Group's net investment in the associate) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in the consolidated statement of income.

Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Operating leases

Operating lease payments (excluding costs for services such as insurance and maintenance) are recognized as an expense on a straight-line basis; whereas any initial leasing fees paid as a premium to the lessor are deferred and amortized over the life of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment and uncollectability of financial assets

An assessment of financial assets 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, an impairment loss is recognised in the consolidated statement of income.

Impairment is determined as follows:

- for assets carried at amortized cost, impairment is based on estimated cash flows discounted at the original effective rate of return;
- for assets carried at fair value, impairment is the difference between cost and fair value; and
- for assets carried at cost, impairment is the difference between cost and present value of future cash flows discounted at the current market rate of return for a similar financial asset.

In addition, in accordance with CBK instructions, a minimum general provision of 1% for the cash facilities and 0.5% for the non-cash facilities, net of certain categories of collateral, to which CBK instructions are applicable and not subject to specific provisions, is made. In March 2007, the CBK issued a circular amending the basis of calculating general provisions on facilities changing the rate from 2% to 1% for cash facilities and from 1% to 0.5% for non cash facilities. The required rates were to be applied effective from 1 January 2007 on the net increase in facilities, net of certain categories of collateral, during the reporting period. The general provision in excess of the present 1% for cash facilities and 0.5% for non cash facilities as of 31 December 2006 would be retained as a general provision until a further directive from the Central Bank of Kuwait is issued.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the financial asset no longer exist or have decreased and the decrease can be related objectively to an event occurring after the impairment was recognised. Except for equity instruments classified as available for sale, reversals of impairment losses are recognised in the consolidated statement of income to the extent the carrying value of the asset does not exceed its amortized cost at the reversal date. Reversals in respect of equity instruments classified as available for sale are recognized in the fair value reserve.

Impairment of tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revaluated amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of impairment loss is recognized immediately in the consolidated statement of income, unless the relevant asset is carried at a revaluated amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Due to banks and depositors' accounts

Investment accounts

Investment accounts may take the form of investment deposits, which are valid for specified periods of time, and are automatically renewable on maturity for the same period, unless the concerned depositors give written notice to the contrary, or take the form of investment saving accounts for unspecified periods. In all cases, investment accounts receive a proportion of the profit, bear a share of loss and are carried at cost plus profit payable.

Non-investment accounts

Non-investment accounts represent, in accordance with Islamic Sharia'a, Qard Hasan from depositors to the Bank. These accounts are neither entitled to profit nor do they bear any risk of loss, as the Bank guarantees to pay the related balance. Investing Qard Hasan is made at the discretion of the Group and the results of such investments are attributable to the shareholders of the Bank. Non-investment accounts are carried at cost.

Murabaha payable

Murabaha payable is an Islamic transaction involving the Group's purchase of an asset from a counterparty and settlement thereof at cost plus an agreed profit on a deferred payment basis. The purchase price is payable to the counterparty on maturity. Murabaha payable is stated at amortized cost.

End of service benefits

A provision is made for amounts payable to the employees for end of service benefits, which is calculated in accordance with the provisions of the Bank's bylaws and in accordance with the Labour Law of the State of Kuwait.

Provisions

A provision is recognized when, and only when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair values

Investments

For investments traded in organized financial markets, fair value is determined by reference to stock exchange quoted market bid prices at the close of the business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to an earnings multiple, or an industry specific earnings multiple or a fair value based on a similar publicly traded company, or based on the expected cash flows of the investments.

Available for sale investments with no reliable measures of their fair values or for which fair value information could not be obtained are carried at their initial cost less impairment losses, if any.

Other financial assets and liabilities

For financial assets and liabilities, fair value is determined based on expected future cash flows or management's estimate of the amount at which this on could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Investment properties

Fair values of the investment properties are determined by appraisers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued. Fair values are determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties.

Revenue recognition

- Income from Murabaha, Wakala, and Leased assets are recognized on a pattern reflecting a constant periodic return on the outstanding net investment.
- Dividend income is recognized when the right to receive payment is established.
- Fees and commission income is recognized at the time the related services are provided.
- Rental income from investment properties is recognised on an accrual basis.

Cash and cash equivalents

Cash includes cash on hand and cash at banks, both in local and foreign currencies. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed in the notes of the consolidated financial statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Kuwaiti Dinars ("KD") rounded to the nearest thousand, which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

Foreign currency transactions are recorded in the functional currency at the rate of exchange prevailing at the date of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the consolidated statement of income for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statement of income for the year, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in KD using exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as other comprehensive income and transferred to the Group's foreign currency translation reserve. Such translation differences are recognised in the consolidated statement of income in the year in which the foreign operation is disposed of.

Segment reporting

Operating segments are to be identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. Such operating segments are divided as either business segments or geographical segments.

A business segment is a distinguishable component of the Group that is engaged in providing products or services, which is subject to risks and returns that are different from those of other segments.

A geographic segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and returns different from those of segments operating in other economic environments.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and accordingly are not included in these consolidated financial statements.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is computed on a straight-line basis over the estimated useful lives of items of property and equipment as follows:

Asset category	Useful life in years
Furniture	5
Leasehold improvement	5
Office equipment	3
Building on leasehold land	20

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets

Intangible assets acquired separately, which consist of software that have finite useful lives, are reported at cost less accumulated amortization and accumulated impairment losses. Software amortization is charged on a straight-line basis over its estimated useful life of 10 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimates being accounted for on a prospective basis.

Investment properties

Investment properties, which are held to earn rentals and / or for capital appreciation, are stated at their fair value at the reporting date. Gains or losses arising from changes in the fair value of the investment properties are included in the consolidated statement of income for the period in which they arise.

Trading properties

Trading properties are held for short term purposes and stated at the lower of cost and net realizable value, determined on an individual basis. Cost comprises the purchase cost and other expenses incurred to complete the underlying transaction. Net realizable value is based on the estimated selling price less any future costs to be incurred on sale. Excess of cost over net realizable value are included in the consolidated statement of income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying the Group's accounting policies

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

Classification of investments

Management decides on acquisition of an investment whether to classify it as held to maturity, available for sale or financial asset at fair value through profit or loss.

In designating financial assets at fair value through profit or loss, the Group determines if it meets one of the criteria for this designation set out in the significant accounting policies (note 3).

Impairment of investments

The Group 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 judgement. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Fair value hierarchy

As disclosed in note 29, the Group is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. Differentiating between Level 2 and Level 3 fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgement and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

Key sources of estimation uncertainty

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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Impairment losses on finance facilities

The Group reviews its irregular finance facilities on a quarterly basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Valuation of unquoted equity investments

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

- recent arm's length market transactions;
- current fair value of another instrument that has substantially the same characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less provision for impairment.

5. INVESTMENT INCOME / (LOSS)

Investment income	2010	2009
	KD'000	KD'000
Gain on money market funds	2,434	2,200
Unrealised gain from financial assets at fair value through profit or loss	752	725
Gain on sale of investments	242	290
Sukuk coupon income	1,165	1,428
Net rental income from investment properties	1,663	1,608
Unrealised gain from changes in fair value of investment properties	58	-
Dividend income	530	1,074
	6,844	7,325

Investment loss	2010	2009
	KD'000	KD'000
Loss on money market funds	-	(18,910)
Unrealised loss from financial assets at fair value through profit or loss	(1,142)	(3,256)
Impairment loss on available for sale investments	(3,084)	(2,396)
Unrealized loss from change in fair value of investment properties	(4,853)	(2,646)
Loss on sale of investments	(7)	(134)
	(9,086)	(27,342)
Net investment loss	(2,242)	(20,017)

5. INVESTMENT INCOME / (LOSS) (CONTINUED)

Net investment loss on financial and non-financial assets, analyzed by category of asset, is as follows:

	2010	2009
	KD'000	KD'000
(Loss) / income from available for sale investments	(1,779)	304
Income / (loss) from financial assets at fair value through profit or loss	2,557	(19,254)
Loss from financial assets held for trading	(160)	(29)
Investment income /(loss) on financial assets	618	(18,979)
Loss from non-financial assets	(2,860)	(1,038)
	(2,242)	(20,017)

6. FEES AND COMMISSIONS INCOME

	2010	2009
	KD'000	KD'000
Retail banking customer fees	1,199	712
Investment banking fees	3,295	368
Asset management fees	480	1,491
Trade service fees	1,729	674
Other	1,298	375
	8,001	3,620

7. PROVISION FOR IMPAIRMENT

	2010	2009
	KD'000	KD'000
(Release of provision) / provision for impairment of due from banks balances	(4,615)	25,829
Provision for impairment of Islamic financing to customers balances	13,536	13,941
Provision / (release of provision) for impairment of non-cash facilities	168	(259)
	9,089	39,511

Movements in the provision for impairment of finance facilities are as follows:

	Specific	General	Total
	KD'000	KD'000	KD'000
Balance at 1 January 2009	7,216	18,196	25,412
Provided during the year	35,906	3,605	39,511
Transfer from general to specific during the year	11,000	(11,000)	-
Balance at 31 December 2009	54,122	10,801	64,923
(Released) / provided during the year	(3,607)	12,696	9,089
Written off balances during the year	(48,110)	-	(48,110)
Foreign currency movement	(694)	-	(694)
Balance at 31 December 2010	1,711	23,497	25,208

At 31 December 2010, non-performing finance facilities amounted to KD 5,786 thousand, net of provision amounted to KD 1,711 thousand (31 December 2009: KD 17,174 thousand, net of provision amounted to KD 54,122 thousand). Written off balances during the year includes KD 44,791 thousand transferred to off-balance sheet memorandum accounts. This has resulted in a reduction in non-performing balances and available provision.

The analysis of specific and general provision stated above is based on CBK instructions.

8. DISTRIBUTION TO DEPOSITORS

	2010	2009
	KD'000	KD'000
Investment deposits	8,783	10,841
Saving accounts	262	434
	9,045	11,275

9. EARNINGS / (LOSS) PER SHARE

There are no potential dilutive ordinary shares. The information necessary to calculate basic earnings / (loss) per share based on weighted average number of shares outstanding during the year is as follows:

	2010	2009
Net profit / (loss) for the year attributable to the equity holders of the Bank (KD'000)	6,109	(51,695)
Weighted average number of shares outstanding during the year (thousands of shares)	1,690,490	1,392,717
Earnings / (loss) per share attributable to the equity holders of the Bank (fils)	3.61	(37.12)

Loss per share for the year ended 31 December 2009 was 44.36 fils and it has been adjusted to account for rights issue in 2010.

10. CASH AND CASH EQUIVALENTS

	2010	2009
	KD'000	KD'000
Cash on hand	7,751	5,800
Balances with CBK – current account	409	-
Balances with banks – current accounts	1,313	2,339
Cash on hand and balances with banks	9,473	8,139
Money market funds	31,188	43,469
	40,661	51,608

The fair values of cash and cash equivalents do not differ from their respective book values.

11. DUE FROM BANKS

	2010	2009
	KD'000	KD'000
Balance	279,090	202,557
Less: deferred profit	(111)	(132)
	278,979	202,425
Less: provision for impairment	-	(31,829)
	278,979	170,596

The distribution of balances due from banks is as follows:

	2010	2009
	KD'000	KD'000
Geographic region		
Kuwait and the Middle East	258,794	192,228
Western Europe	20,296	7,461
Other	-	2,868
Less: deferred profit	(111)	(132)
	278,979	202,425
Less: provision for impairment	-	(31,829)
	278,979	170,596

11. DUE FROM BANKS (CONTINUED)

Provision for impairment is calculated based on CBK instructions on the outstanding balance net of the deferred profits (if any) as follows:

	2010	2009
	KD'000	KD'000
Balance at beginning of the year	31,829	6,000
(Released) / provided during the year	(4,615)	25,829
Written off balances during the year	(26,631)	-
Foreign currency movement	(583)	-
Balance at end of the year	-	31,829

The fair values of due from banks do not differ significantly from their respective book values.

12. ISLAMIC FINANCING TO CUSTOMERS

Islamic financing to customers principally comprise Murabaha and Wakala balances are stated net of provision for impairment. The distribution of Islamic financing to customers is as follows:

	2010	2009
	KD'000	KD'000
Balance	897,323	637,025
Less: deferred profit	(48,562)	(28,219)
	848,761	608,806
Less: provision for impairment	(24,194)	(32,248)
	824,567	576,558

	2010	2009
	KD'000	KD'000
Geographic region		
Kuwait and the Middle East	893,108	628,670
Western Europe	527	4,499
Other	3,688	3,856
Less: deferred profit	(48,562)	(28,219)
	848,761	608,806
Less: provision for impairment	(24,194)	(32,248)
	824,567	576,558

Provision for impairment is calculated based on CBK instructions on the outstanding balance net of deferred profits (if any) as follows:

	2010	2009
	KD'000	KD'000
Balance at beginning of the year	32,248	18,307
Provided during the year	13,536	13,941
Written off balances during the year	(21,479)	-
Foreign currency movement	(111)	-
Balance at end of the year	24,194	32,248

Whenever necessary, Islamic financing to customers is secured by acceptable forms of collateral to mitigate the related credit risks.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	KD'000	KD'000
Investment in unquoted securities	42,264	37,650
Investment in unquoted funds	3,261	3,475
Investment in quoted securities	180	363
	45,705	41,488

14. AVAILABLE FOR SALE INVESTMENTS

	2010	2009
	KD'000	KD'000
Investment in Sukuk	32,459	46,451
Investment in unquoted funds	16,800	10,585
Investment in unquoted securities	8,953	8,769
Investment in quoted securities	427	427
	58,639	66,232

15. SUBSIDIARIES

Principal operating subsidiaries are as follows:

Name of subsidiary	Country of incorporation	2010 proportion of ownership interest and voting power %	2009 proportion of ownership interest and voting power %	Principal activity
Boubyan Takaful Insurance Company KSC (Closed)	Kuwait	56.78	56.78	Takaful insurance
Boubyan Capital Investment Company KSC (Closed)	Kuwait	100.00	100.00	Islamic investments

16. INVESTMENTS IN ASSOCIATES

The investments in associates comprise the following:

Name of associate	Country of incorporation	2010 proportion of ownership interest and voting power %	2009 proportion of ownership interest and voting power %	Principal activity
United Capital Bank	Republic of Sudan	21.67	-	Islamic commercial banking
Bank Syariah Muamalat Indonesia Tbk	Indonesia	24.94	21.28	Islamic commercial banking
Ijarah Indonesia Finance Company	Indonesia	33.33	33.33	Islamic financing services

On 18 May 2010 the Group obtained significant influence over United Capital Bank ("UCB"), an Islamic Bank operating in the Republic of Sudan, by acquiring 18.75 % of the voting shares. As a result, the Group's equity interest in UCB has increased to 21.67%. The consideration transferred at the acquisition date amounted to KD 6,358 thousand, and the fair value of the previously-held equity interest of 2.92% of the voting shares amounted to KD 1,022 thousand. The excess of the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities over the cost of that interest (negative goodwill) of KD 536 thousand, has been recognised in share of results of associates in the consolidated statement of income for the current year.

16. INVESTMENTS IN ASSOCIATES (CONTINUED)

Bank Syariah Muamalat Indonesia TBK (Bank Muamalat) was established in 1991 and commenced operations in May 1992. The establishment of Bank Muamalat was initiated by the Indonesian Council of Ulama (MUI), which was supported by a group of entrepreneurs. During July 2010, the Group participated in the shares right issue of the Bank Muamalat by an amount of KD 6,529 thousand. As a result, the Group's equity interest in Bank Muamalate has been increased to 24.94%.

Ijarah Indonesia Finance Company has been granted the license during 2007 from the relevant authorities in Indonesia to render financing services.

The Group's share of results of associates is recognised based on the associates' management accounts as at 30November 2010.

The movement in the investments in associates balances is as follows:

	2010	2009
	KD'000	KD'000
Balance at the beginning of the year	7,386	5,914
Acquisition of associates	13,909	-
Share of results of associates (including negative goodwill)	1,099	518
Dividends received	-	(500)
Foreign currency translation adjustments	(1,314)	1,454
	21,080	7,386

Summarized financial information in respect of the Group's associates is set out below:

	2010	2009
	KD'000	KD'000
Total assets	695,695	481,022
Total liabilities	(607,605)	(448,389)
Net assets	88,090	32,633
Group's share of net assets	21,080	7,386

	2010	2009
	KD'000	KD'000
Total revenue	49,865	29,269
Net profit	5,361	2,395
Group's share of results	563	518

17. INVESTMENT PROPERTIES

The movement in the investment properties is as follows:

	2010	2009
	KD'000	KD'000
Balance at the beginning of the year	35,914	29,962
Additions during the year	4,482	6,504
Disposals during the year	(2,693)	(158)
Net unrealized loss from change in fair value of investment properties	(4,795)	(2,646)
Foreign currency translation adjustments	(2,120)	2,252
	30,788	35,914

Investment properties comprise a number of commercial properties that are managed by third parties in Europe, Japan, the United States and the Middle East.

Investment properties include properties with a carrying value of KD 25,907 thousand as at 31 December 2010 (31 December 2009: KD 26,291 thousand), which were acquired through a number of special purpose entities.

18. OTHER ASSETS

	2010	2009
	KD'000	KD'000
Accrued income	1,647	2,441
Prepayments	1,154	1,325
Acceptance letters of credit	3,520	1,652
Software	1,281	1,316
Other	704	1,091
	8,306	7,825

19. DUE TO BANKS

	2010	2009
	KD'000	KD'000
Investment accounts	69,181	132,352
Non-investment accounts	51,673	24,429
	120,854	156,781

The fair values of balances due to banks do not differ significantly from their respective book values.

20. DEPOSITORS' ACCOUNTS

	2010	2009
	KD'000	KD'000
Investment accounts	837,174	649,960
Non-investment accounts	103,854	58,997
	941,028	708,957

21. OTHER LIABILITIES

	2010	2009
	KD'000	KD'000
Creditors and accruals	2,000	1,920
Accrued staff benefits	3,462	2,366
Clearing accounts	2,916	1,697
General provision on non-cash facilities	1,014	846
Margin accounts	842	500
Due to NLST and Zakat	236	-
Other	3,796	2,606
	14,266	9,935

22. SHARE CAPITAL

	2010		2009	
	Shares	KD'000	Shares	KD'000
Shares issued and fully paid	1,748,235,315	174,824	1,165,312,444	116,531

The Ordinary and Extraordinary General Assemblies of the Bank held on 17 September and 1 October 2009 respectively have approved the Bank's authorized capital increase from KD 116,600 thousand to KD 174,900 thousand through issuance of 583,000 thousand shares at a nominal value of 100 fils per share and share premium of 150 fils per share.

23. SHARE PREMIUM

The share premium is not distributable except under specific circumstances as provided by the Kuwait Commercial Companies Law.

24. STATUTORY RESERVE

As required by the Commercial Companies Law and the Bank's Articles of Association 10% of profit for the year is transferred to statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals 50% of the capital. This reserve is not available for distribution except in cases stipulated by Law and the Bank's Articles of Association. No transfer has been made to the statutory reserve during the current year due to accumulated losses.

25. VOLUNTARY RESERVE

As required by the Bank's Articles of Association 10% of profit for the year is transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon a recommendation by the Board of Directors. No transfer has been made to the voluntary reserve during the current year due to accumulated losses.

26. RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial statement captions:

	2010	2009
	KD'000	KD'000
Due from related parties:		
Due from banks	118,495	60,753
Islamic financing to customers	33,307	61,870
Due to related parties:		
Due to banks	49,484	80,797
Depositors' accounts	1,424	6,146
Transactions with related parties:		
Letters of guarantee and letters of credit	3,117	2,299
Revenues	3,571	3,938
Expenses	(663)	(685)

The Group holds collaterals against Islamic finance facilities to related parties in the form of shares and real estate. An estimate of the fair value of collaterals held against Islamic finance facilities to related parties amounted to KD 20,429 thousand as at 31 December 2010 (31 December 2009: KD 24,514 thousand).

Compensation of key management personnel:

Details of compensation for key management comprise the following:

	2010	2009
	KD'000	KD'000
Short-term benefits	2,822	1,414
Post-employment benefits	271	147
	3,093	1,561

27. CONTINGENCIES AND COMMITMENTS

At the reporting date there were outstanding contingencies and commitments entered in the ordinary course of business in respect of the following:

	2010	2009
	KD'000	KD'000
Guarantees	81,334	40,360
Acceptances and letters of credit	21,377	13,270
Investment commitments	-	585
Capital commitments (projects under construction)	1,479	565
Credit commitments	8,014	16,159
	112,204	70,939

28. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports that are regularly reviewed by the decision makers in order to allocate resources to the segments and to assess their performance. The operating segments are divided as either business segments or geographical segments.

a. Business Segments

For management purposes, the Bank is organized into the following four major business segments:

Consumer banking: Provides a diversified range of products and services to individuals and institutional clients. The range includes consumer finance, credit cards, deposits and other branch related services.

Corporate banking: Provides Murabaha, Ijarah, trade service and other related services to business and corporate customers.

Investment banking: Principally handling direct investments, local and international real estate investment and asset management.

Treasury: Principally handling local and international Murabaha and other Islamic financing, primarily with financial institutions, as well as the management of the Bank's funding operations.

Group centre: Includes other group activities and residual in respect of transfer pricing and inter segment allocation.

For the year ended 31 December 2010

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Revenues by product						
Murabaha and other Islamic financing income	6,383	34,108	-	1,604	(329)	41,766
Investment income	18	1,387	5,439	-	-	6,844
Fees and commissions income	1,386	3,148	883	-	2,584	8,001
Share of results of associates	-	222	877	-	-	1,099
Net foreign exchange gain	-	-	(92)	869	-	777
Other income	20	-	22	9	29	80
Segment revenues	7,807	38,865	7,129	2,482	2,284	58,567
Segment expenses	(8,461)	(21,070)	(13,590)	(169)	(9,282)	(52,572)
Segment results	(654)	17,795	(6,461)	2,313	(6,998)	5,995

28. SEGMENT REPORTING (CONTINUED)

For the year ended 31 December 2010

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Assets						
Cash and cash equivalents	9,473	-	34,822	-	(3,634)	40,661
Due from banks	-	6,803	-	272,176	-	278,979
Islamic financing to customers	125,736	721,005	-	-	(22,174)	824,567
Financial assets at fair value through profit or loss	-	-	45,705	-	-	45,705
Available for sale investments	-	33,280	25,359	-	-	58,639
Investments in associates	-	-	21,080	-	-	21,080
Trading properties	-	-	2,800	-	-	2,800
Investment properties	-	-	30,788	-	-	30,788
Other assets	-	-	-	-	8,306	8,306
Property and equipment	-	-	-	-	4,733	4,733
Total assets	135,209	761,088	160,554	272,176	(12,769)	1,316,258
Liabilities and Equity						
Due to banks	1,660	-	11,365	119,195	(11,366)	120,854
Depositors' accounts	391,912	-	-	552,749	(3,633)	941,028
Other liabilities	-	-	-	-	14,266	14,266
Equity	-	-	1,920	-	238,190	240,110
Total liabilities and equity	393,572	-	13,285	671,944	237,457	1,316,258

28. SEGMENT REPORTING (CONTINUED)

For the year ended 31 December 2009

	Consumer banking KD'000	Corporate banking KD'000	Investment banking KD'000	Treasury KD'000	Group centre KD'000	Total KD'000
Revenues by product						
Murabaha and other Islamic financing income	2,746	29,325	-	2,889	-	34,960
Investment income	-	1,428	5,897	-	-	7,325
Fees and commissions income	606	2,088	850	-	76	3,620
Share of results of associates	-	-	518	-	-	518
Net foreign exchange gain	-	-	-	755	-	755
Other income	9	-	(29)	-	350	330
Segment revenues	3,361	32,841	7,236	3,644	426	47,508
Segment expenses	(5,797)	(58,483)	(13,067)	(9,106)	(13,068)	(99,521)
Segment results	(2,436)	(25,642)	(5,831)	(5,462)	(12,642)	(52,013)

	Consumer banking KD'000	Corporate banking KD'000	Investment banking KD'000	Treasury KD'000	Group centre KD'000	Total KD'000
Assets						
Cash and cash equivalents	11,447	-	41,238	-	(1,077)	51,608
Due from banks	-	10,127	-	160,469	-	170,596
Islamic financing to customers	63,015	523,646	-	-	(10,103)	576,558
Financial assets at fair value through profit or loss	-	-	41,488	-	-	41,488
Available for sale investments	-	46,451	19,781	-	-	66,232
Investments in associates	-	-	7,386	-	-	7,386
Trading properties	-	-	2,862	-	-	2,862
Investment properties	-	-	35,914	-	-	35,914
Other assets	-	-	-	-	7,825	7,825
Property and equipment	-	-	-	-	4,310	4,310
Total assets	74,462	580,224	148,669	160,469	955	964,779

28. SEGMENT REPORTING (CONTINUED)

For the year ended 31 December 2009

	Consumer banking	Corporate banking	Investment banking	Treasury	Group centre	Total
Liabilities and Equity						
Due to banks	5,451	-	7,449	151,330	(7,449)	156,781
Depositors' accounts	340,698	-	-	376,784	(8,525)	708,957
Other liabilities	-	-	-	-	9,935	9,935
Equity	-	-	1,971	-	87,135	89,106
Total liabilities and equity	346,149	-	9,420	528,114	81,096	964,779

b. *Geographical segment*

The Bank operates in various geographical sectors. The geographical analysis is as follows:

For the year ended 31 December 2010

	Kuwait & the Middle East	North America	Western Europe	Other	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Assets	1,215,498	5,165	76,860	18,735	1,316,258
Non-current assets (excluding financial instruments)	14,679	1,562	26,800	14,983	58,024
Liabilities and equity	1,313,729	-	2,313	216	1,316,258
Segment income	56,022	147	1,693	705	58,567

For the year ended 31 December 2009

	Kuwait & the Middle East	North America	Western Europe	Other	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Assets	887,337	4,927	59,425	13,090	964,779
Non-current assets (excluding financial instruments)	72,746	1,632	28,781	1,077	104,236
Liabilities and equity	962,010	-	2,769	-	964,779
Segment income	44,230	147	1,726	1,405	47,508

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risks is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adhere to limits. The Group regularly reviews the risk management policies to reflect changes in markets, products and emerging best practice.

In the normal course of business, the Group uses primary financial instruments such as cash and short term funds, investments, bank borrowings, receivables and payables and as a result, is exposed to the risks indicated below. The Group currently does not use derivative financial instruments to manage its exposure to these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. To limit this risk, the Group deals with recognized customers, including corporate, financial institutions and high net worth individuals and has policies and procedures in place to limit the amount of credit exposure to any single and related counterparty. These policies include the non-concentration of credit risk. The Group minimizes other concentrations of credit risk by undertaking transactions with a large number of customers. All policies relating to credit are reviewed and approved by the Board of Directors.

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 consolidated statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	Notes	Gross maximum exposure 2010 KD'000	Gross maximum exposure 2009 KD'000
Cash and cash equivalents (excluding cash on hand and money market funds)	10	1,722	2,339
Due from banks	11	278,979	170,596
Islamic financing to customers	12	824,567	576,558
Available for sale investments	14	32,459	46,451
Other assets (excluding software)	18	7,025	6,509
		1,144,752	802,453
Contingent liabilities		102,711	53,630
Commitments		9,493	17,309
Total credit risk exposure		1,256,956	873,392

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in fair values.

For more detail on the maximum exposure to credit risk for each class of financial instruments, references shall be made to the specific notes.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Risk concentrations of the maximum exposure to credit risk

The Group manages concentration of risk by client/counterparty, geographical region and industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2010 was KD 107,270 thousand (31 December 2009: KD 45,740 thousand). The Group's financial assets, before taking into account any collateral held or other credit enhancements can be analysed by the following geographical regions:

	2010			2009		
	Banks	Non-banks	Total	Banks	Non-banks	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Kuwait and the Middle East	269,515	850,054	1,119,569	178,731	608,036	786,767
Western Europe	20,386	638	21,024	-	11,059	11,059
Other	416	3,743	4,159	-	4,627	4,627
	290,317	854,435	1,144,752	178,731	623,722	802,453

An industry sector analysis of the Group's financial assets, before taking into account collateral held or other credit enhancements, is as follows:

	2010			2009		
	Banks	Non-banks	Total	Banks	Non-banks	Total
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Trading and manufacturing	-	138,085	138,085	-	18,368	18,368
Banks and financial institutions	290,317	194,387	484,704	178,731	289,751	468,482
Construction and real estate	-	263,229	263,229	-	206,165	206,165
Other	-	258,734	258,734	-	109,438	109,438
	290,317	854,435	1,144,752	178,731	623,722	802,453

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Cash collaterals
- Bank Guarantees
- Real estate
- Shares and other Islamic financial instruments

The Group also may obtain guarantees from parent companies for financing provided to their subsidiaries. Management monitors the market value of collateral and requests additional collateral if required in accordance with the underlying agreement. It is the Group's policy to dispose of repossessed properties. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Collateral and other credit enhancements (Continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group. The table below shows the credit quality by class of asset for statement of financial position lines.

31 December 2010

	Neither past due nor impaired			
	Banks	Non-banks	Past due or impaired	Total
	KD'000	KD'000	KD'000	KD'000
Cash and cash equivalents (excluding cash on hand and money market funds)	1,722	-	-	1,722
Due from banks	276,729	-	2,250	278,979
Islamic financing to customers	-	813,402	11,165	824,567
Available for sale investments	9,616	22,843	-	32,459
Other assets (excluding software)	-	7,025	-	7,025
	288,067	843,270	13,415	1,144,752

31 December 2009

	Neither past due nor impaired			
	Banks	Non-banks	Past due or impaired	Total
	KD'000	KD'000	KD'000	KD'000
Cash and cash equivalents (excluding cash on hand and money market funds)	2,339	-	-	2,339
Due from banks	163,709	-	6,887	170,596
Islamic financing to customers	-	566,271	10,287	576,558
Available for sale investments	5,671	40,780	-	46,451
Other assets (excluding software)	125	6,384	-	6,509
	171,844	613,435	17,174	802,453

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk (Continued)

Collateral and other credit enhancements (Continued)

At 31 December 2010 management estimates the fair value of collaterals held against individually past due or impaired Islamic finance facilities reasonably approximate KD 6,025 thousand (31 December 2009: KD 8,010 thousand).

Finance facilities with renegotiated terms

Finance facilities with renegotiated terms are facilities that have been restructured due to deterioration in the counterparty's financial position and where the Group has made concessions that it would not otherwise consider. Once the facility is restructured it remains in this category independent of satisfactory performance after restructuring or following restructuring, a previously over due customer account is reset to a normal status and managed together with other similar accounts. Restructuring activities include extended payment arrangements, approved external management plans, additional collateral modification and deferral of payments.

During 2010, the Group has renegotiated the terms of certain balances of Islamic financing to customers with a total of KD 25,300 thousand (2009: KD 26,470 thousand). Had these balances not been renegotiated, such balances would have been past due or impaired. As at 31 December 2010, the restructuring discussions with the relevant counterparties were not finalized. The ultimate outcome of the renegotiations can not presently be determined and, accordingly, no provision has been made in the consolidated financial statements for any effects on the Group that may result (2009: nil).

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices such as foreign currency and equity price risks.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

The Group is not exposed to material risk in terms of the re-pricing of its liabilities since, in accordance with Islamic Sharia'a, the Group does not provide a guaranteed contractual rate of return to its depositors.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

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

The table below indicates the foreign currencies to which the Group had significant exposure as at 31 December. The analysis calculates the effect of a 5 percent increase in foreign currency rates against Kuwaiti Dinar, with all other variables held constant, on the reported results and equity. A negative amount in the table reflects a potential net reduction in reported results or equity, while a positive amount reflects a net potential increase.

	2010		2009	
	Effect on reported results	Effect on equity	Effect on reported results	Effect on equity
	KD'000	KD'000	KD'000	KD'000
US Dollar	(2,172)	59	(973)	(591)
Sterling Pound	(4)	(4)	(120)	(76)
Euro	(22)	9	239	239
Indonesian Rupiah	-	717	308	369

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

A 5 percent decrease of the above currencies against the Kuwaiti Dinar would have had equal, but opposite, effect to the amounts shown above, on the basis that all other variables remain constant.

Equity price risk

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

For such investments classified as available for sale, a five percent increase in stock prices as at 31 December 2010 would have increased equity by KD 469 thousand (31 December 2009: an increase of KD 460 thousand). For such investments classified as at fair value through profit or loss, the impact on profit or loss would have been an increase of KD 2,122 thousand (31 December 2009: an increase of KD 1,901 thousand). An equal change in the opposite direction would have had equal, but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial obligations. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To guard against this risk, management have diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents and readily marketable securities. Further, the Group periodically assesses the financial viability of customers.

The Group has established an Asset and Liabilities Management committee to manage assets and liabilities of the Group comprehensively and strategically. The committee meets regularly to determine and review policies for managing liquidity risk, as well as to set risk limits.

The following table summarizes the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the statement of financial position date to the contractual maturity date and do not take into account the effective maturities as indicated by the availability of liquid funds. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the assets and liabilities at year end is based on contractual repayment arrangements.

The maturity profile of the assets and liabilities is as follows:

31 December 2010

	Up to three months	3 to 6 months	6 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Assets					
Cash and cash equivalents	40,661	-	-	-	40,661
Due from banks	270,614	8,365	-	-	278,979
Islamic financing to customers	545,502	92,571	46,417	140,077	824,567
Financial assets at fair value through profit or loss	180	-	-	45,525	45,705
Available for sale investments	32,886	-	-	25,753	58,639
Investments in associates	-	-	-	21,080	21,080
Trading properties	-	-	2,800	-	2,800
Investment properties	-	-	-	30,788	30,788
Other assets	5,689	-	1,192	1,425	8,306
Property and equipment	-	-	-	4,733	4,733
Total assets	895,532	100,936	50,409	269,381	1,316,258

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

	Up to three months	3 to 6 months	6 to 12 months	Over 1 year	Total
Liabilities and Equity					
Due to banks	108,021	149	-	12,684	120,854
Depositors' accounts	599,236	181,111	160,041	640	941,028
Other liabilities	9,837	-	1,901	2,528	14,266
Equity	-	-	-	240,110	240,110
Total liabilities and equity	717,094	181,260	161,942	255,962	1,316,258

31 December 2009

	Up to three months	3 to 6 months	6 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Assets					
Cash and cash equivalents	51,608	-	-	-	51,608
Due from banks	164,916	5,680	-	-	170,596
Islamic financing to customers	317,101	62,291	133,484	63,682	576,558
Financial assets at fair value through profit or loss	363	-	-	41,125	41,488
Available for sale investments	46,878	-	-	19,354	66,232
Investments in associates	-	-	-	7,386	7,386
Trading properties	-	-	2,862	-	2,862
Investment properties	-	-	-	35,914	35,914
Other assets	4,391	2,772	331	331	7,825
Property and equipment	-	-	-	4,310	4,310
Total assets	585,257	70,743	136,677	172,102	964,779

	Up to three months	3 to 6 months	6 to 12 months	Over 1 year	Total
	KD'000	KD'000	KD'000	KD'000	KD'000
Liabilities and Equity					
Due to banks	122,041	2,769	26,284	5,687	156,781
Depositors' accounts	480,425	143,488	74,453	10,591	708,957
Other liabilities	9,935	-	-	-	9,935
Equity	-	-	-	89,106	89,106
Total liabilities and equity	612,401	146,257	100,737	105,384	964,779

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, systems failure, human error, or from external events. When controls fail to perform, it can lead to legal or regulatory implications, or financial /reputational loss.

The Group has established policies and procedures, which are applied to identify, assess, monitor, control and mitigate operational risk in addition to other types of risks relating to the banking and financial activities of the Group as part of overall risk management activities.

The operational risk of the Group is managed in line with the CBK instructions concerning the general guidelines for internal controls and best practice for managing and supervising operational risks in banks.

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 a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and other models as appropriate. The carrying values of financial instruments approximate their fair values at 31 December due to the relatively short-term maturity of the instruments except that it was not possible to reliably measure the fair value of certain unquoted securities.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2010	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets held for trading	180	-	-	180
Financial assets at fair value through profit or loss	-	45,525	-	45,525
Available for sale financial assets	-	58,639	-	58,639
	180	104,164	-	104,344

31 December 2009	Level 1 KD'000	Level 2 KD'000	Level 3 KD'000	Total KD'000
Financial assets held for trading	363	-	-	363
Financial assets at fair value through profit or loss	-	41,125	-	41,125
Available for sale financial assets	-	66,232	-	66,232
	363	107,357	-	107,720

During the year 2010, available for sale financial assets with a carrying amount of KD Nil (2009 KD 427 thousand) were transferred from level 1 to level 2 because quoted prices in the market for such securities became no longer regularly available. In order to determine the fair value of such securities, management used a valuation technique in which all significant inputs were based on observable market data.There has been no transfer from level 2 to level 1 in 2010 or 2009.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the Central Bank of Kuwait in supervising the Group.

During the year, the Group had complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The Group's regulatory capital position at 31 December was as follows:

	2010	2009
	KD'000	KD'000
Tier 1 capital		
Share capital	174,824	116,531
Share premium	87,728	280
Statutory reserve	3,913	3,913
Voluntary reserve	3,591	3,591
Accumulated losses	(32,336)	(38,445)
Non-controlling interests	1,920	1,971
Deductions from tier 1 capital	(11,018)	(5,814)
	228,622	82,027
Tier 2 capital		
Fair value and foreign currency translation reserves	(599)	569
General provision	9,667	6,945
Deductions from tier 2 capital	(11,018)	(5,814)
	(1,950)	1,700
Total regulatory capital	226,672	83,727
Risk-weighted assets	821,846	604,932
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets	27.58%	13.84%
Total tier 1 capital expressed as a percentage of risk-weighted assets	27.82%	13.56%

30. FINANCIAL ASSETS AND LIABILITIES

The table below sets out the group's classification of each class of financial assets and liabilities

31 December 2010

	Designated as at fair value	Held for trading	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Cash and cash equivalents	40,661	-	-	-	-	40,661
Due from banks	-	-	278,979	-	-	278,979
Islamic financing to customers	-	-	824,567	-	-	824,567
Financial assets at fair value through profit or loss	45,525	180	-	-	-	45,705
Available for sale investments	-	-	-	58,639	-	58,639
	86,186	180	1,103,546	58,639	-	1,248,551
Due to banks	-	-	-	-	120,854	120,854
Depositors' accounts	-	-	-	-	941,028	941,028
	-	-	-	-	1,061,882	1,061,882
(Expenses) / income	2,606	(158)	41,766	(1,779)	(10,907)	31,528

31 December 2009

	Designated as at fair value	Held for trading	Loans and receivables	Available for sale	Other amortized cost	Total carrying amount
	KD'000	KD'000	KD'000	KD'000	KD'000	KD'000
Cash and cash equivalents	51,608	-	-	-	-	51,608
Due from banks	-	-	170,596	-	-	170,596
Islamic financing to customers	-	-	576,558	-	-	576,558
Financial assets at fair value through profit or loss	41,125	363	-	-	-	41,488
Available for sale investments	-	-	-	66,232	-	66,232
	92,733	363	747,154	66,232	-	906,482
Due to banks	-	-	-	-	156,781	156,781
Depositors' accounts	-	-	-	-	708,957	708,957
	-	-	-	-	865,738	865,738
(Expenses) / income	(19,029)	(56)	34,960	106	(13,043)	2,938

31. FIDUCIARY ASSETS

The aggregate value of assets held in a trust or fiduciary capacity by the Bank amounted to KD 30,851 thousand (31 December 2009: KD 43,702 thousand).

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not affect previously reported profit or loss, equity or opening balances of the earliest comparative period presented; accordingly a third statement of financial position is not presented.