FINANCIAL REVIEW

2009 Consolidated Statement of Income

The profit attributable to shareholders of the Parent Bank for the year is KD 146,000.

Net interest income of KD 104.0 million was KD 12.5 million or 11% lower than 2008. The average yield on interest earning assets declined to 4.78% from 6.45% in 2008, with the Central Bank of Kuwait discount rate falling during the two years from 5.75% to 3.00%. The average cost on interest bearing liabilities fell to 2.06%, down from the 3.83% of 2008. The Bank's net spread was 2.73% and the net interest margin was 2.86%.

Fees and commissions decreased by KD 1.5million or 5%. Dividend income of KD 2.4 million was down on 2008 following the sale of investments. Net gains from investment securities of KD 18.6 million in 2009 are down on 2008.

Staff expenses decreased KD 0.5 million or 3% on 2008 with staff numbers rising by 5 to 1,153. General and administration expenses decreased due to the reversal of prior year accruals that are no longer required.

Additional provisions were required on the investment portfolio and the loan book.

The Bank continues to enforce a strict credit policy and complies fully with the Central Bank of Kuwait provisioning requirements. Total provision cover for 2009, including general provisions, was 62% of non-performing loans. Non-performing loans increased KD 324.6 million to KD 462.1 million. Post liberation non-performing loans were KD 319.2 million higher while pre invasion non-performing loans increased KD 5.4 million due to movement in foreign currency exchange rates. Pre invasion provisions are booked in the currency of the non-performing loan and increased KD 5.4 million in line with the underlying assets. Including the general provisions, total post liberation non-performing loan provision coverage is 51% for 2009.

2009 Consolidated Statement of Financial Position

Total assets decreased by KD 711.4 million or 16% on 2008; with reduction in Due from banks and other financial institutions and Customer deposits.

The Bank continues to comply with the loans to deposits ratio introduced by Central Bank of Kuwait in 2004, which requires Kuwaiti banks to maintain an average ratio for loans to deposits of 85%.

The capital adequacy ratio under Basel II regulations is 18.22% and comfortably exceeds the minimum 12% requirement of the Central Bank of Kuwait.

FINANCIAL REVIEW

Dividends and Proposed Appropriations

The profit attributable to shareholders of the Parent Bank for the year of KD 146,000 will be retained.

1. No dividend is proposed. (2008: 40 fils) as recommended by the Board of Directors. This is subject to approval by the Shareholders at the Annual General Meeting.

2. Nil to the Statutory Reserve, which now equals 50% of share capital and in accordance with the Law of Commercial Companies any future transfers are on a voluntary basis.