

Arab Banking Corporation (B.S.C.)

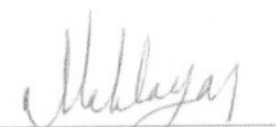
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

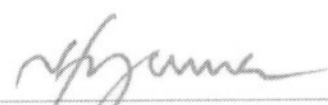
31 December 2010

*All figures in US\$ Million*

	Note	2010	2009
<b>ASSETS</b>			
Liquid funds		485	646
Trading securities	6	65	135
Placements with banks and other financial institutions		6,573	3,949
Non-trading securities	7	8,057	9,552
Loans and advances	9	12,186	10,949
Interest receivable		243	181
Other assets	11	374	430
Premises and equipment		122	123
<b>TOTAL ASSETS</b>		<b>28,105</b>	<b>25,965</b>
<b>LIABILITIES</b>			
Deposits from customers		11,175	9,909
Deposits from banks and other financial institutions		6,283	6,224
Certificates of deposit		41	34
Securities sold under repurchase agreements	26	3,719	4,079
Interest payable		182	139
Taxation	12	87	116
Other liabilities	13	575	539
<b>TERM NOTES, BONDS AND OTHER TERM FINANCING</b>	14	<b>2,183</b>	<b>2,344</b>
<b>Total liabilities</b>		<b>24,245</b>	<b>23,384</b>
<b>EQUITY</b>			
Share capital	15	3,110	2,000
Reserves		318	191
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>		<b>3,428</b>	<b>2,191</b>
Non-controlling interests		432	390
<b>Total equity</b>		<b>3,860</b>	<b>2,581</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>28,105</b>	<b>25,965</b>

These consolidated financial statements were authorised for issue by the Board of Directors on 3 February 2011 and signed on their behalf by the Chairman and the President & Chief Executive.

  
 Mohammed Layas  
 Chairman

  
 Hassan Ali Juma  
 President & Chief Executive

The attached notes 1 to 33 form part of these consolidated financial statements

Arab Banking Corporation (B.S.C.)

CONSOLIDATED STATEMENT OF INCOME

Year ended 31 December 2010

*All figures in US\$ Million*

	<i>Note</i>	<b>2010</b>	<i>2009</i>
<b>OPERATING INCOME</b>			
Interest and similar income	16	976	1,105
Interest and similar expense	17	<u>(536)</u>	<u>(714)</u>
<b>Net interest income</b>		<b>440</b>	391
Other operating income	18	<u>279</u>	<u>250</u>
<b>Total operating income</b>		<b>719</b>	641
Impairment provisions - net	10	<u>(77)</u>	<u>(115)</u>
<b>NET OPERATING INCOME AFTER PROVISIONS</b>		<b>642</b>	526
<b>OPERATING EXPENSES</b>			
Staff		248	216
Premises and equipment		32	31
Other		79	79
<b>Total operating expenses</b>		<u>359</u>	<u>326</u>
<b>PROFIT BEFORE TAXATION</b>		<b>283</b>	200
Taxation on foreign operations	12	<u>(84)</u>	<u>(46)</u>
<b>PROFIT FOR THE YEAR</b>		<b>199</b>	154
Income attributable to non-controlling interests		<u>(56)</u>	<u>(32)</u>
<b>PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>		<b>143</b>	122
<b>BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US\$)</b>			
	31	<u><b>0.05</b></u>	<u>0.06</u>

The attached notes 1 to 33 form part of these consolidated financial statements

Arab Banking Corporation (B.S.C.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

*All figures in US\$ Million*

	<i>Note</i>	<b>2010</b>	<i>2009</i>
<b>PROFIT FOR THE YEAR</b>		<b>199</b>	154
<b>Other comprehensive income</b>			
Net fair value movements during the year after impairment effect	15	78	181
Amortisation of fair value shortfall on reclassified securities	15	20	30
Unrealised gain on exchange translation in foreign subsidiaries		8	128
<b>Total other comprehensive income for the year</b>		<b>106</b>	339
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>305</b>	493
Comprehensive income attributable to non-controlling interests		<b>(68)</b>	(95)
Comprehensive income attributable to shareholders of the parent		<b>237</b>	398

The attached notes 1 to 33 form part of these consolidated financial statements

Arab Banking Corporation (B.S.C.)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2010

*All figures in US\$ Million*

	<i>Note</i>	<i>2010</i>	<i>2009</i>
<b>OPERATING ACTIVITIES</b>			
Profit attributable to the shareholders of the parent		<b>143</b>	122
Items not involving cash flow:			
Impairment provisions - net	10	77	115
Depreciation and amortisation		<b>13</b>	17
Amortisation of fair value shortfall on reclassified securities	15	<b>20</b>	30
Changes in operating assets and liabilities:			
Trading securities		72	21
Placements with banks and other financial institutions		<b>(2,663)</b>	285
Loans and advances		<b>(1,192)</b>	1,768
Interest receivable and other assets		<b>(1)</b>	351
Deposits from customers		<b>1,225</b>	(1,214)
Deposits from banks and other financial institutions		57	(646)
Securities sold under repurchase agreements		<b>(360)</b>	(1,735)
Interest payable and other liabilities		70	(386)
Other non-cash movements		47	(13)
Net cash used in operating activities		<b>(2,492)</b>	(1,285)
<b>INVESTING ACTIVITIES</b>			
Purchase of non-trading securities		<b>(1,073)</b>	(1,005)
Sale and redemption of non-trading securities		<b>2,587</b>	2,309
Purchase of premises and equipment		<b>(16)</b>	(38)
Sale of premises and equipment		4	1
Additional investment in an associate		-	(16)
Net cash from investing activities		<b>1,502</b>	1,251
<b>FINANCING ACTIVITIES</b>			
Increase in share capital - rights issue	15	<b>1,110</b>	-
Underwriting fees	15	<b>(110)</b>	-
Sale (purchase) of certificates of deposit - net		8	(3)
Issue of term notes, bonds and other term financing - net		<b>284</b>	-
Repurchase of subordinated debt	14	<b>(45)</b>	(88)
Repayment of other term notes, bonds and other term financing - net		<b>(400)</b>	(72)
Net cash from (used in) financing activities		<b>847</b>	(163)
Net change in liquid funds		<b>(143)</b>	(197)
Effect of exchange rate changes on liquid funds		<b>(18)</b>	20
Liquid funds at beginning of the year		<b>646</b>	823
<b>LIQUID FUNDS AT THE END OF THE YEAR</b>		<b>485</b>	646

The attached notes 1 to 33 form part of these consolidated financial statements

Arab Banking Corporation (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

All figures in US\$ Million

	Equity attributable to the shareholders of the parent							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	General reserve	Retained earnings*	Foreign exchange translation	Cumulative changes in fair values			
At 31 December 2008	2,000	110	309	150	(261)	(81)	(434)	1,793	295	2,088
Profit for the year	-	-	-	-	122	-	-	122	32	154
Other comprehensive income for the year	-	-	-	-	-	65	211	276	63	339
Total comprehensive income for the year	-	-	-	-	122	65	211	398	95	493
Transfers during the year	-	-	12	-	(12)	-	-	-	-	-
At 31 December 2009	2,000	110	321	150	(151)	(16)	(223)	2,191	390	2,581
Profit for the year	-	-	-	-	143	-	-	143	56	199
Other comprehensive income for the year	-	-	-	-	-	(4)	98	94	12	106
Total comprehensive income for the year	-	-	-	-	143	(4)	98	237	68	305
Transfers during the year	-	-	14	-	(14)	-	-	-	-	-
Issue of share capital - rights issue (note 15)	1,110	(110)	-	-	-	-	-	1,000	-	1,000
Other equity movements in subsidiaries	-	-	-	-	-	-	-	-	(26)	(26)
<b>At 31 December 2010</b>	<b>3,110</b>	<b>-</b>	<b>335</b>	<b>150</b>	<b>(22)</b>	<b>(20)</b>	<b>(125)</b>	<b>3,428</b>	<b>432</b>	<b>3,860</b>

\* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US\$ 373 million (2009: US\$ 356 million).