



Invitation to subscribe for priority rights share issue (the “Priority Rights Share Issue”) of 1,110,000,000 shares (the “Rights Issue Shares”) of Arab Banking Corporation (B.S.C.) (the “Bank”) to the existing shareholders of the Bank (the “Shareholders”) at US\$ 1.00 per Share on a pro-rata basis of 111 Rights Issue Shares for every 200 Shares held on the Record Date of 7 March 2010.

Key Dates		
Description	Day	Date
Announcement Date	Monday	1 March 2010
Record Date	Sunday	7 March 2010
Subscription Opening Date	Wednesday	10 March 2010
Subscription Closing Date	Wednesday	24 March 2010
Allotment Date	Wednesday	31 March 2010
Distribution Date	Wednesday	7 April 2010



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1. THE OFFER

The Board of Directors of Arab Banking Corporation (B.S.C.) (the “Bank”) invites the Shareholders on the Record Date to subscribe for 1,110,000,000 Shares of US\$ 1.00 nominal value each of the Bank at a price of US\$ 1.00 per Share on a priority rights basis in accordance with the terms described herein.

This Priority Rights Share Issue is entirely underwritten by one of the Bank’s Shareholders Central Bank of Libya (the “CBL”).

Subscription application forms will be available at the head office of the Bank in Bahrain, the branches of the Receiving Bank, the offices of the Issue Agent and the Share Registrar in Bahrain from 7 March 2010. Subscription shall commence on 10 March 2010 and will close on 24 March 2010.

2. RESOLUTIONS AND APPROVALS

Board of Directors

At a meeting on 23 December 2009, the Board of Directors of the Bank resolved to approve the terms of the Priority Rights Share Issue and convene an extraordinary general meeting of the Shareholders in order for the Shareholders to approve, amongst other things, the increase in the authorised and the paid-up capital of the Bank. Likewise, and following the approval by the Bank’s Shareholders for the Priority Rights Share Issue, the Board of Directors of the Bank at its meeting on 28 January 2010, resolved to approve the issue price (the “Issue Price”) for the Priority Rights Share Issue at US\$ 1.00 per Share.

Shareholders

In accordance with the Board of Directors’ resolution dated 23 December 2009, an Extraordinary General Meeting of the Shareholders was held on 28 January 2010 (the “EGM”) at which the Shareholders resolved, amongst other things, to increase the Bank’s authorized capital from US\$ 2,500,000,000 to US\$ 3,500,000,000; increase the Bank’s issued capital from US\$ 2,000,000,000 divided into 2,000,000,000 Shares of nominal value US\$ 1.00 each to US\$ 3,110,000,000 divided into 3,110,000,000 Shares of nominal value US\$ 1.00 each, by way of a Priority Rights Share Issue to the Shareholders; and empower the Board of Directors of the Bank and / or its delegates to carry out all required or proper formalities and do all acts and things so as to carry into effect the EGM resolutions including but not limited to determining all the terms of the Priority Rights Share Issue.

At the EGM the Shareholders independent of CBL also waived their right to receive a mandatory offer from CBL consequent to CBL’s offer to underwrite the Priority Rights Share Issue through a resolution (the “Whitewash Resolution”).

3. GENERAL INFORMATION ABOUT THE BANK

The Bank was incorporated as a Bahraini joint stock company on 17 January, 1980 pursuant to Amiri Decree no. 2 for the year 1980. On 7 April, 1980, the Bank was granted an Offshore Banking Unit licence by the Bahrain Monetary Agency (now known as the Central Bank of Bahrain) and began its operations that month. The Bank’s commercial registration number is 10299, its Head Office is at ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Bahrain and its telephone number is +973 1754 3000.

4. THE BANK’S STRATEGIC GROWTH OBJECTIVES

The Group has decided that if it is to meet its aim of consistent growth in revenues and profitability for its shareholders, for the foreseeable future its focus must be on retail banking.

The Bank aims to become a leading Universal Bank in MENA that delivers superior shareholder returns, provides distinctive service and products to its customers and is able to attract, develop and retain top talent.

Retail banking is offered through the Group’s units in the MENA region that also offer corporate and treasury services to their clients. The Group believes retail banking presents a more sustainable model for the future, one which will lead to a more diversified funding and revenue base.

Building on the platform of the subsidiaries across the Arab world, in Jordan, Egypt, Algeria and Tunisia, the Group’s long term objective is to expand its retail operations to straddle the MENA region. This will be accomplished through a combination of organic expansion and acquisition, the latter being a particularly appropriate and attractive option today in light of the lower multiples currently applicable to regional banks.

International Wholesale Banking will continue to focus on its customer base of large companies, multinationals, governments, their agencies and departments and regional and international financial institutions, or those activities that require the unique specialisations and expertise of the dedicated, centralised teams providing project, trade, Islamic and corporate banking services, as well as syndications and treasury products.

At the same time, the Group continues to seek opportunities for regional expansion through mergers and acquisitions or start-up situations in selected countries that complement and enhance its core businesses in the Arab world.

5. FINANCIAL HIGHLIGHTS

A summary of key financial performance indicators since 2007 is set out below.

	Audited		
	2009	2008	2007
Total assets (US\$ million)	25,965	28,486	32,744
Total shareholders’ equity (US\$ million)	2,191	1,793	1,867
Net profit for the year (US\$ million)	122	(800)	125
Basic Earnings per share (US\$)	0.06	(0.57)	0.13
Return on average shareholders’ funds (%)	5.9	(51.6)	6.2
Return on average assets (%)	0.46	(2.88)	0.45
Cost-to-income (%)	51	58	40

ABC Group’s net profit for 2009 was US\$ 122 million after impairment provisions of US\$ 115 million, a strong recovery from the loss of US\$ 880 million for 2008.

The results for 2008 were impacted by the waves of adversity that began in April 2007 with the sub-prime mortgage crisis in the USA which led to a global financial crisis during the first half of 2008 and affected the real economies by the end of 2008.

ABC’s return to profitability in 2009 demonstrates robust recovery and the positive impact of the ongoing transformation of its business focus, culture and organization and builds a solid foundation for steady growth.

ABC’s balance sheet contracted during 2009 as part of an ongoing de-leveraging and de-risking process to total US\$ 26 billion at the year-end, down by US\$ 2.5 billion over the past year, mainly because of run offs in the Loans and Securities portfolios.

6. USE OF PROCEEDS

The requirement for additional capital and its deployment is explained as follows:

In 2008, the Bank engaged an internationally reputed consultancy firm to perform a critical review of the Bank’s strategic objectives and to identify specific initiatives that need to be undertaken in order to achieve them and, at the same time, enhance shareholder value of the business enterprise. The main recommendation was to transform the bank from being predominantly a “Wholesale Bank” into a leading Universal Bank in the MENA region that delivers superior shareholder returns and provides distinctive service and products to its customers.

The transformation would entail substantial increase in the contribution to ABC Group from Universal Banking, focusing on Retail, to ensure sustainable profitability and funding. This strategic transformation requires the Bank to acquire stakes in a well-established Universal bank with a significant retail presence in MENA. Simultaneously, the Bank needs organic growth through rapid expansion at our existing Universal Banking units and to set up units in new geographies such as Syria and Libya, all of which will complement the acquisition strategy.

In addition to the core requirement for the capital increase to support the Universal Banking strategy, there will be a number of other benefits to the overall business:

- The Bank will be better placed to handle a more stringent CBB and FSA regulatory environment in 2010. We anticipate that there will be higher capital adequacy requirements for risk-weighted assets; a maximum leverage ratio that is not risk-weighted; and strict limits on term liquidity mismatches.
- Additional capital will support an increase in risk-weighted assets, resulting from the planned move of Wholesale Banking into the mid-sized corporate sector.
- The Capital Increase will be well received by rating agencies and depositors in terms of shareholder support and financial strength. This will have a beneficial impact on our cost of funds.
- Improvement to the Bank’s funding position.

7. DETAILS OF THE PRIORITY RIGHTS SHARE ISSUE

Issuer:	Arab Banking Corporation (B.S.C.)
Type of Offer:	Priority rights issue to the Eligible Shareholders of the Bank
Authorized Share Capital:	US\$ 3,500,000,000
Issued and Paid Up Share Capital prior to the Priority Rights Share Issue:	US\$ 2,000,000,000 divided into 2,000,000,000 Shares of nominal value US\$ 1.00 each
Issue Size:	1,110,000,000 shares (the “Rights Issue Shares”) of US\$ 1.00 each fully paid up
Nominal Value:	US\$ 1.00 per share
Issue Price:	US\$ 1.00 per share
Record Date:	7 March 2010
Eligible Shareholders:	Shareholders in the share register on the Record Date
Entitlement to the Priority Rights Share Issue:	111 Rights Issue Shares for every 200 Shares held on the Record Date
Renunciation:	Eligible Shareholders on the Record Date may accept all or part of their entitlement. This entitlement in Rights Issue Shares can be renounced, which enables Eligible Shareholders who do not wish to take up some or all of the Rights Issue Shares to sell their rights to a third party (the “Renouncee”). The rights may be sold only during the period between the Subscription Opening Date and the Subscription Closing Date
Basis of Allotment:	Rights Issue Shares will first be allotted to Shareholders exercising their priority rights or their Renouncees in full up to their entitlement or for a lesser number of shares if the application is for less than their entitlement. Any remaining Rights Issue Shares will be allotted to the Shareholders requesting more than their priority rights, pro rata to their holdings on the Record Date, provided that the total number of Shares subscribed does not exceed the Priority Rights Share Issue size. Any fractional allotment shall be rounded down to the nearest whole number of shares
Underwriting:	The Rights Issue Shares offered under the Priority Rights Share Issue have been underwritten up to 100% of the Issue Size by Central Bank of Libya A fixed underwriting fee of US\$ 110 million will be paid to the underwriter. The amount of such underwriting fee shall be paid out of the balance standing in the share premium account of the Bank and not from the proceeds of the Rights Issue
Dividend:	The Rights Issue Shares will be entitled to receive dividends declared (if any) after the Allotment Date.
Subscription Opening Date:	10 March 2010
Subscription Closing Date:	24 March 2010
Allotment Date:	31 March 2010
Share ranking:	Rights Issue Shares will rank <i>pari-passu</i> with all other Shares of the Bank following the issue
Listing:	The Rights Issue Shares will be listed on the Bahrain Stock Exchange
Subscription Application Form:	Subscription Application Forms will be mailed to the Shareholders to their address maintained by the Share Registrar and will also be made available at the Bank’s Head Office in Bahrain, the Receiving Bank’s branches in Bahrain in Section 11 titled “Subscription Procedure and Mode of Payment” and in the offices of the Issue Agent and the Share Registrar

8. WAIVER OF MANDATORY OFFER

In view of the CBL’s offer to underwrite the Priority Rights Share Issue, there is a likelihood that, in the event some Shareholders do not subscribe to the Priority Rights Share Issue, CBL and Related Parties will acquire additional shares increasing their voting rights by more than 1% in the Bank, which threshold triggers an obligation by the CBL to make a mandatory offer to acquire the Shares of the Independent Shareholders of the Bank, in accordance with Rule 3.1.1 and Rule 3.1.2 of CBB’s Rulebook, Volume 6, Takeovers, Mergers and Acquisitions Module (“TMA”).

The TMA also provides for a waiver of the rights of the Shareholders to receive a mandatory offer if the mandatory offer is required as a result of issuing new securities as consideration for cash injection or for the fulfilment of obligations to underwrite the issue of new securities subject to certain conditions being met, as provided under Rule 3.1.15 of the TMA.

Accordingly the Bank and CBL having met these conditions and the Board of Directors of the Bank having reviewed the report prepared by an Independent Professional Advisor to advise the Shareholders regarding the waiver, recommended to the Independent Shareholders to waive their right to receive a mandatory offer from CBL consequent to its offer to underwrite the proposed Priority Rights Share Issue of the Bank’s shares, through a Whitewash Resolution. The Whitewash Resolution was tabled for approval and passed at the EGM of the Shareholders held on 28 January 2010 and subsequently the CBB approved the waiver of a mandatory offer by CBL.

9. DETAILS OF SHAREHOLDERS

	Number of Shares	Percentage holding
Central Bank of Libya	590,519,901	29.5%
ABC International Nominees*	23,287,281	1.2%
Libyan Foreign Bank*	38,668,660	1.9%
Libyan Foreign Investment Co.	74,363,460	3.7%
Kuwait Investment Authority	593,755,107	29.7%
Abu Dhabi Investment Authority	551,151,902	27.6%
Other Shareholders	128,253,689	6.4%
Total	2,000,000,000	100.0%

*Collectively referred to as *Related Parties* deemed to be acting in concert with CBL

CBL is one of the founder Shareholders of ABC and a strategic principal Shareholder since inception which has also underwritten this Priority Rights Issue to the extent of upto 100% of the Issue Size.

CBL was created in 1956 to maintain the stability of Libya’s currency and to promote sustained economic growth in line with overall economic policy. Under the new law of January 12, 2005, CBL has a greater role and supervisory measures have been strengthened. CBL controls money supply and credit, supervises commercial banks to ensure sound financial positions and protection of depositor and shareholder rights and advises the Government of Libya on the formulation and implementation of financial and economic policy.

In addition, CBL issued a number of decrees to improve Libyan commercial bank operations, launched and completed the privatization of Sahara Bank and Wahda Bank and recapitalized three of the five state-owned commercial banks. In May 2009, CBL opened the doors for strategic investors to take stakes in private banks operating in Libya.

Other entities deemed to be acting in concert (the “Related Parties”) with CBL are Libyan Foreign Bank and ABC International Nominees which are directly or indirectly controlled by CBL. As on 13 December 2009, the combined shareholding in ABC of all these entities was 32.6 %.

In the interest of operational efficiency a separate rights issue subscription account will be opened with the Bank for receiving the subscription proceeds from the three principal shareholders and from Libyan Foreign Investment Company, ABC International Nominees and Libyan Foreign Bank. Such subscription proceeds will be retained in the account of the Bank and will not be transferred to the subscription account with the Receiving Bank.

10. LISTING AND SHARE PERFORMANCE

The Bank’s shares are listed on the BSE since 1990 under code ABC. The Bank’s historical high and low share price for the last three years and the first quarter of the current year are as follows:

Year/Period	Share price – High (US\$)	Share price – Low (US\$)
2007	2.83	1.35
2008	2.83	0.92
2009	0.92	0.53
2010 (till the date of this document)	0.67	0.60

* All share prices were obtained from the Bahrain Stock Exchange

11. SUBSCRIPTION PROCEDURES AND MODE OF PAYMENT

Applications to subscribe for the Bank’s shares will be accepted only on the prescribed Subscription Application Form. The Subscription Application Form will be:

- mailed to the Shareholders to their address maintained by the Share Registrar; and
- will also be made available at the Bank’s Head Office in Bahrain, the Receiving Bank’s branches in Bahrain specified below and in the offices of the Issue Agent and the Share Registrar.

Save for the Shareholders specifically mentioned in Section 9 (*Details of Shareholders*) Subscription Application Forms will be accepted only by the Receiving Bank’s branches set out below during the subscription period from 10 March 2010 to 24 March 2010 during the Receiving Bank’s working hours specified below:

Branch	*Working Days and time
BBK Main Branch 43 Government Avenue PO Box 597 Manama Kingdom of Bahrain	Sunday to Thursday 7.30 a.m to 2.30 p.m
Budaiya Branch Budaiya Financial Mall Building 1582 Budaiya Avenue Jannusan 502 Kingdom of Bahrain	Saturday to Thursday 8.00 a.m to 2.30 p.m

*On the last day of the Subscription period, 24 March 2010, the final time for submission of Subscription Application Forms will be 1.00 p.m.

Subscription Application Forms should be completed in full and in accordance with the instructions contained therein and signed by the applicant. In the case of joint owners of shares, only one Subscription Application Form may be completed for each joint holding and it must be signed by at least one joint owner. Subscription Application Forms for corporate shareholder must be signed by an authorised officer of the corporation and the constitutive documents delegating such authority to subscribe should be attached to the Subscription Application Form.

Applications should enclose the relevant constitutional documents as described in the Subscription Application Form.

The subscription currency is United States dollars (“US\$”).

The completed Subscription Application Form should be submitted to the branches of the Receiving Bank specified herein.

Subscription amount must be deposited in the “ABC Priority Rights Issue Account No: 1000 00 268878” with the Receiving Bank by any of the following modes of payments:

- Wire transfer
Pay to:
Citibank, New York; SWIFT Code: CITIUS33;
Account : BBK BSC, Bahrain; A/C No. 36-0484-52
Favouring ABC Priority Rights Issue; A/C No. 1 000 00 268878
SWIFT Code of BBK is : BBKUBHBM
The Shareholder / Renouncee should request the remitting bank to include the serial no. of the application and / or their shareholder no. (if any) in field 72 of the SWIFT instruction.
- Internal transfer from an account within BBK.

Cash, Banker’s Draft or Cheques or any other mode of payment will not be accepted.

Copies of wire transfer payments, instruction letters and account to account transfer instructions should be attached to the Subscription Application Form. In all cases, realised funds should be credited with good value to the above account no later than 24 March 2010. As such, applicants must ensure that wire transfer and account to account transfer instructions are lodged with their bank or BBK respectively in time for the funds to be realised and credited to the ABC Priority Rights Issue Account with good value no later than 24 March 2010. In all cases, the amount realised in the account should not be below the total amount due. All bank charges and fees of any description for transferring of the funds to the above account shall be for the account of the Applicant. The Issue Agent shall have the right to reject any application for which the amount credited to the above account is lower than the total amount due for any reason and/or if the related funds are not credited with good value by 24 March 2010 and/or if the application is not completed in a complete and legible manner.

Any queries relating to the application procedure should be directed to the Issue Agent on telephone no. +973-1720 0025 and any queries relating to fund transfer should be directed to the Receiving Bank on telephone no. +973-17207777.

12. BOARD OF DIRECTORS

Name	Designation
Mr. Mohammed Husain Layas	Chairman
Mr. Hilal Mishari Al-Mutairi	Deputy Chairman
Mr. Hareb M. Al Darmaki	Deputy Chairman
Mr. Hassan Ali Juma	President and Chief Executive
Mr. Eissa Mohammed Al Suwaidi	Director
Mr. Mohamed AbdelSalam Shokri	Director
Dr. Anwar Ali Al-Mudhaf	Director
Mr. Saeed Al Hajeri	Director
Dr. Saleh Helwan Al Humaidan	Director
Mr. Abdallah Saud Al Humaidhi	Director
Dr. Mohammed A. Abusaina	Director
Mr. Yousef Abdelmaula	Director

13. DIRECTORS’ DECLARATION

The Directors of the Bank accept responsibility for the information contained in this abridged information memorandum. To the best of the directors’ knowledge and belief, who have taken all reasonable care to ensure that such is the case, the information contained herein is in accordance with the facts and contains no omissions likely to affect the importance and completeness of this abridged information memorandum.

On behalf of the Board of Directors
Mohammed Layas, Chairman
February 2010