



Announcement to the shareholders

DISCLAIMER STATEMENT

THIS DOCUMENT HAS BEEN FILED WITH THE CENTRAL BANK OF BAHRAIN, THE BAHRAIN STOCK EXCHANGE AND THE MINISTRY OF INDUSTRY AND COMMERCE, IN THE KINGDOM OF BAHRAIN IN ACCORDANCE WITH THE REQUIREMENTS OF THE CENTRAL BANK OF BAHRAIN RULEBOOK VOLUME 6, TAKEOVERS, MERGERS AND ACQUISITIONS MODULE.

THE DIRECTORS OF ARAB BANKING CORPORATION (B.S.C.) ISSUING THIS ANNOUNCEMENT JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF INFORMATION CONTAINED IN THIS ANNOUNCEMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS ANNOUNCEMENT IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS ANNOUNCEMENT.

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Reference is hereby made to the notice of the Extraordinary General Meeting ("EGM") dated 12 January 2010 and the board circular (the "Board Circular"), dated 23 December 2009, of Arab Banking Corporation (B.S.C.) (the "ABC") in relation to seeking a waiver from the shareholders of their right to receive a mandatory offer from Central Bank of Libya (the "CBL") consequent to its offer to underwrite the priority rights issue (the "Rights Issue") of ABC's shares, through a resolution (the "Whitewash Resolution") by the shareholders at the EGM of the shareholders held on 28 January 2010.

Unless the context requires otherwise, terms used herein shall have the same meanings as in the Board Circular.

The Board is pleased to announce that the resolutions relating to the increase of the authorized capital, increase of issued capital through a priority rights issue and the Whitewash Resolution were duly passed by the shareholders attending and voting by way of poll at the EGM held on 28 January, 2010.

As at the date of the EGM, the total number of issued shares of ABC was 2,000,000,000. Shareholders holding 1,848,650,290 shares representing a total of 92.44% of the issued share capital of ABC were present at the EGM. CBL and parties acting in concert with it ("Related Parties"); namely, Libyan Foreign Bank and ABC International Nominees which are directly or indirectly controlled by CBL, which held 652,475,842 shares representing approximately 32.6% of the issued share capital of ABC as at the date of the EGM, abstained from voting in respect of the Whitewash Resolution. As such, shareholders other than Related Parties (the "Independent Shareholders") holding a total of 1,347,524,158 shares, representing approximately 67.4% of the issued share capital of ABC, were entitled to vote for or against the Whitewash Resolutions at the EGM. Independent Shareholders holding 1,219,461,729 shares representing 60.97% of the issued share capital of ABC were present at the meeting and voted for the Whitewash Resolution and the resolution was passed unanimously.

Details of the voting for various resolutions put for vote in the EGM are as follows:

Resolutions proposed at the EGM	Votes cast for the resolution	Votes cast against the resolution	Total number of votes cast	Results
1. To approve the increase in the authorized capital of ABC from United States Dollars Two Thousand Five Hundred Million (US\$2,500,000,000) to United States Dollars Three Thousand Five Hundred Million (US\$3,500,000,000).	100% of the shareholders present at the meeting	Nil	100% of the shareholders present at the meeting	The resolution was passed unanimously
2. To approve the increase in the issued capital of ABC from United States Dollars Two Thousand Million (US\$2,000,000,000) divided into Two Thousand Million (2,000,000,000) of ordinary shares of nominal value US\$1 each to United States Dollars Three Thousand One Hundred Ten Million (US\$3,110,000,000) divided into Three Thousand One Hundred Ten Million (3,110,000,000) ordinary shares of nominal value US\$1 each, by way of a priority rights offering (the "Rights Offering") to the Shareholders of ABC at an issue price (the "Issue Price") of US\$1 per share.	100% of the shareholders present at the meeting	Nil	100% of the shareholders present at the meeting	The resolution was passed unanimously
3. Subject to all relevant conditions under the Takeovers, Mergers and Acquisitions Module (the "Module"), of Volume 6 of the Rule Book of the Central Bank of Bahrain being fulfilled and provided that the above resolutions are duly passed, for the Shareholders of ABC independent from Central Bank of Libya and its related or other parties acting in concert with it (collectively the "Major Shareholder") to waive their rights to receive a mandatory offer from the Major Shareholder for all the shares in ABC not already owned by the Major Shareholder in the event that its subscription of the new ordinary shares in the capital of ABC to be issued pursuant to the Rights Offering by ABC results in the Major Shareholder making a mandatory offer pursuant to Rule TMA-3.1 of the Module.	100% of the Independent Shareholders present at the meeting	Nil	100% of the Independent Shareholders present at the meeting	The resolution was passed unanimously
4. To approve the underwriting arrangements contained in the underwriting agreement attached to the Board Circular	100% of the shareholders present at the meeting	Nil	100% of the shareholders present at the meeting	The resolution was passed unanimously
5. Empower the Board of Directors of ABC 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 Rights Offering, including but not limited to, determining all terms of the priority rights offering, together with empowering Dr. Khaled Kawan, the Deputy Chief Executive of Arab Banking Corporation (B.S.C.), in accordance with the above resolutions, to act for and on behalf of the shareholders of ABC, for the execution of the amended Memorandum and Articles of Association on behalf of ABC before the notary public and to submit the same to the Ministry of Industry and Commerce, the Central Bank of Bahrain, the Bahrain Stock Exchange and any other agency of the Kingdom of Bahrain.	100% of the shareholders present at the meeting	Nil	100% of the shareholders present at the meeting	The resolution was passed unanimously

ABC expects Kuwait Investment Authority and all the Libyan entities* to subscribe to their rights entitlement in full. The dilution impact of the Whitewash Resolution after the Rights Issue, under both extreme scenarios, is explained below:

Scenario 1- All Shareholders subscribe to their entitlements

	Current Shareholding Number of Shares	Percentage holding	Rights Issue shares	Total Shareholding post rights issue	Percentage holding post rights Issue
Central Bank of Libya	590,519,901	29.5%	327,738,545	918,258,446	29.5%
ABC International Nominees*	23,287,281	1.2%	12,924,441	36,211,722	1.2%
Libyan Foreign Bank*	38,668,660	1.9%	21,461,106	60,129,766	1.9%
Libyan Foreign Investment Co.*	74,363,460	3.7%	41,271,720	115,635,180	3.7%
Kuwait Investment Authority	593,755,107	29.7%	329,534,084	923,289,191	29.7%
Abu Dhabi Investment Authority	551,151,902	27.6%	305,889,306	857,041,208	27.6%
Other Shareholders	128,253,689	6.4%	71,180,797	199,434,486	6.4%
Total	2,000,000,000	100.0%	1,110,000,000	3,110,000,000	100.0%

Scenario 2- None of the Shareholders, other than the underwriter, KIA and Libyan entities*, subscribe to their entitlements

	Current Shareholding Number of Shares	Percentage holding	Rights Issue shares	Total Shareholding post rights issue	Percentage holding post rights Issue
Central Bank of Libya	590,519,901	29.5%	704,808,648	1,295,328,549	41.7%
ABC International Nominees*	23,287,281	1.2%	12,924,441	36,211,722	1.2%
Libyan Foreign Bank*	38,668,660	1.9%	21,461,106	60,129,766	1.9%
Libyan Foreign Investment Co.*	74,363,460	3.7%	41,271,720	115,635,180	3.7%
Kuwait Investment Authority	593,755,107	29.7%	329,534,084	923,289,191	29.7%
Abu Dhabi Investment Authority	551,151,902	27.6%	-	551,151,902	17.7%
Other Shareholders	128,253,689	6.4%	-	128,253,689	4.1%
Total	2,000,000,000	100.0%	1,110,000,000	3,110,000,000	100.0%

*Libyan Entities Include:-

- ABC International Nominees
- Libyan Foreign Bank
- Libyan Foreign Investment Co.

Under this Rights Issue and the underwriting terms, the maximum potential voting rights of Central Bank of Libya will not exceed 41.7% (together with Related Parties 44.7% approximately).

The Board of Directors also wishes to extend its sincere thanks to its shareholders, the Central Bank of Bahrain, the Ministry of Industry and Commerce, the Capital Market Supervision Directorate and the Bahrain Stock Exchange for their invaluable guidance and support.

On behalf of the Board of Directors

Mohammed Layas
Chairman

28 January 2010