

ARAB BANK (SWITZERLAND) LTD.

48TH ANNUAL REPORT 2009





Arab Bank (Switzerland) Ltd. is an independent company, founded in 1962 according to Swiss law, specialized in asset management and investment counselling for a sophisticated clientele, both private and institutional.

Arab Bank (Switzerland) Ltd. is a sister company of Arab Bank plc., Amman/Jordan, a leading financial institution, which has a wide network in the Arab world and the major financial centers.

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Board of Directors

Abdel Hamid Shoman ■ Chairman
Dr. Alfred Schwarzenbach ■ Vice-Chairman *
Sabih T. Masri ■ Member
Alois V. Meyer ■ Member (until June 26, 2009 †)
Antoine J. Raphael ■ Member (since April 17, 2009)
Wahbé A. Tamari ■ Member *

Management

Management Committee

Nasri Victor Malhamé ■ CEO / General Manager
Matthias Oettli ■ COO / Deputy General Manager
(until October 23, 2009)
Urs Morgenthaler ■ CFO (since May 1, 2009)
Acting Deputy General Manager (since November 1, 2009)
Khalil Shehadeh ■ Managing Director, Geneva Branch
(until December 31, 2009)
David Ch. Tunbridge ■ Managing Director, Head Private
Banking (until October 8, 2009)
Erich Vettiger ■ COO / Managing Director
(since November 1, 2009)

Directly reporting to the Management Committee

Marianne Anderegg ■ Human Resources ■ Executive Director
Patrick Culliford ■ Credit & Trade Finance ■ Executive
Director
Wulf Haasner ■ Investment Management ■ Executive
Director
Rani Jabban ■ Treasury Management ■ Executive Director
Patrick Pillon ■ Legal Counsel ■ Executive Director
Heinz Sandmeier ■ Relationship Management ■ Executive
Director
Roland Wietlisbach ■ Compliance ■ Executive Director

Internal Audit

AudiBa Wirtschaftsberatung AG, Bubikon

Auditors

Deloitte Ltd., Zurich

* Independent Board Member according to FINMA Circular 2008/24, margin number 19

Financial markets and economic environment

The development of the financial markets can be divided in two periods. The serious market decline, triggered by the Lehman bankruptcy in September 2008, continued in the first two months of 2009. In January and February 2009 alone, the major well-known international equity indices lost another quarter of their value. Corporate bonds dropped to unrealistically low levels, which implied higher default rates than during the Great Depression in the thirties of the last century. The oil price fell by 80% from its all-time high in July 2008 until the end of February 2009. The downtrend was aggravated by very bad economic data, as all major developed economies were caught in a severe recession.

Starting in March, the wounds of the severe financial and economic crisis began to heal. Investor's risk appetite rose in anticipation of a global economic recovery. Equity markets rallied. The strong uptrend was interrupted only in June and in October, and equities rose to new highs for the year towards the end of 2009. The MSCI World Equity index increased a whopping 70% from its low in March until the end of December, a move, which was unprecedented in speed and magnitude. Expectations of a world economic recovery boosted the markets. The governments' stimulus packages seemed to work. In fact, some important emerging economies such as China, India and Brazil managed to return quickly to the solid growth rates of past years. But there was also increased evidence in the large developed economies that the most severe recession since the thirties could be over soon. Positive indicators were found above all in the industrial sector, consumer confidence began to stabilize, and the downtrend of US home prices came to a halt. The US economy grew by 2.2% in the third quarter of 2009; it shrank in each of the preceding four quarters. But also the European and the Japanese economies began to expand again. Surprisingly resilient corporate earnings contributed to markedly improved investor's sentiment. Both US and European companies managed to exceed earnings estimates in the second and in the third quarter of 2009.

Despite these improvements, it should not be overlooked that the tepid recovery in the second half of the year only managed to offset a small part of the gross domestic

product (GDP) which was lost during the recession. Unemployment rates were still rising at the end of 2009. Major developed economies like the US, Europe and Japan shrank between three and five percent last year. The Swiss economy weathered the downturn quite well in the international context, as its GDP shrank less than two percent.

Other riskier asset classes such as commodities or corporate bonds benefited from the equity rally and posted significant gains too. The oil price and the industrial metals benefited from an expected increase of the global demand, above all from the rapidly growing emerging markets. Oil finished 2009 at a level of just under USD 80 per barrel, more than doubling from its low, which was reached in February. The US dollar weakness contributed to the good performance of the commodities. Gold reached a new record high of over USD 1,200 per ounce at the beginning of December, but fell quite sharply towards the year-end. On the contrary, the US Dollar strengthened in the last month of the year as a result of renewed tensions in the global financial sector, trimming its losses for 2009. Traditional hard currencies such as the Swiss franc and the Japanese yen remained firm in 2009. This is a clear indication that uncertainties, both in the financial markets and in the real economy, remained elevated.

The improved investment environment and the outlook of an economic recovery caused investors to increasingly turn to corporate bonds. The interest rate differential to government bonds, also called credit spreads, narrowed and privately issued fixed income paper posted significant gains. Demand for government bonds however eased, as they hardly managed to benefit from their reputation as a safe

Financial Highlights (CHF million)	2009	2008	Variance %	
Balance Sheet				
Balance sheet total	2 726.6	1 844.1	882.5	47.9
Due from customers	400.2	600.8	- 200.6	- 33.4
Securities and financial investments	248.7	208.1	40.6	19.5
Shareholders' equity (before profit distribution)	497.4	501.8	- 4.4	- 0.9
Profit and Loss Statement				
Net interest income	24.3	22.0	2.3	10.5
Results from commission and service fee activities	18.6	21.7	- 3.1	- 14.3
Results from trading operations	4.5	2.4	2.1	87.5
Operating expenses	- 31.4	- 26.6	- 4.8	18.0
Gross Profit	17.3	13.8	3.5	25.4
Depreciation, valuation adjustments/provisions	- 10.9	- 18.5	7.6	- 41.1
Profit before Extraordinary Items and Taxes	6.3	- 4.7	11.0	- 234.0
Extraordinary income, net	0.4	14.8	- 14.4	- 97.3
Taxes	- 0.8	- 1.1	0.3	- 27.3
Net Income	5.9	8.9	- 3.0	- 33.7
Fiduciary transactions	1 385.8	2 598.7	- 1 212.9	- 46.7

haven investment in 2009. Whereas US Treasuries lost some ground, European government bonds managed to eke out further small gains. The major developed economies were characterized by deflationary tendencies in 2009; US and European inflation only turned positive towards the year-end.

Comments on Profit and Loss Statement and Balance Sheet

Profit and Loss Statement

The Bank's net income decreased from CHF 8.9 million to CHF 5.9 million (-34%) due to the special circumstances mentioned below.



Net interest income as such substantially grew by 10.5% to CHF 24.3 million, mainly attributable to our clients' decision to keep a substantial portion of their assets with the Bank on the current account instead of investing it into fiduciary deposits or securities.

As a consequence commission income was negatively affected and declined by 14.3% to CHF 18.6 million. Lending commissions (+CHF 0.4 million) continued to grow substantially percentage wise, but again could only partially compensate the lower commission income in the private banking area.

After last year's losses on our own securities and financial investments, a moderate profit of CHF 1.3 million was earned. Foreign exchange profit was also negatively affected due to lower customer activities and contributed CHF 3.2 million (CHF 1.8 million less than in 2008).

On the basis of the Board of Directors' decision to concentrate the private banking of Arab Bank Group in our Bank, we invested in personnel as well as infrastructure and systems. This led to an increase in total operating expenses by CHF 4.8 million or 18%. A full provision on an outstanding internationally known loan in the MENA region was responsible to a considerable part for the substantial amount in the account "Valuation adjustments, provisions and losses" (CHF 8.6 million).

Balance Sheet and Off-Balance Sheet

The Balance Sheet increased by CHF 883 million predominantly due to higher customer balances on current accounts and an expanding interbank market

with higher deposit volumes.

Loans to customers decreased by 33% (-CHF 201 million) following the repayment of a large loan. Mainly due to the low money market interest rates fiduciary deposits declined by CHF 1'213 million to an amount of CHF 1'386 million, whereby the lower USD rate (1.03 compared to 1.07 as of January 1, 2009) added to the decrease. A good portion of these lower deposits can be found in the higher customer balances (increase of CHF 658 million).

Assets under Management lessened by CHF 286 million despite a positive market performance and amount now to CHF 3'600 million.



Outlook

There is reason for modest optimism in 2010. The global economic recovery is likely to continue. But growth in the large industrialized economies will probably be lower than it was after previous recessions. This is because the international banking system is still quite fragile and the process of global deleveraging will weigh on economic activities for some time. Banks are still very reluctant to lend. The consumer sector, which accounts for about two thirds of the gross domestic product, will probably not contribute much to the recovery at this point in time. Unemployment will start declining only during this year. But the expansive monetary policy, the positive inventory cycle and infrastructure investments, embedded in the various government's stimulus programs introduced in late 2008 and in 2009, are likely to drive the global recovery. In addition, improved corporate earnings should translate into higher investment expenditure.

The financial markets should benefit from further macroeconomic progress. Thanks to the expected strong increase of corporate earnings in 2010, equities do not seem to be overvalued despite sharply risen prices since March 2009. Corporate earnings are the most important driver for equities. Due to worldwide record low interest rates, there are only few investment alternatives to shares. Inflation is expected to rise in 2011 at the latest, making government bonds rather unattractive. The rapid increase in equity prices needs to be put into perspective: The rally followed a nearly unprecedented sell-off in the months between September 2008 and February 2009

as a result of the Lehman bankruptcy. The MSCI World Equity Index declined more than 40% during this time period. A swift recovery after a sharp decline is not unusual. Furthermore, at the end of 2009, the major US and European equity indices were still trading at about 30% below their all-time highs registered in 2007. A longer-term comparison looks equally unfavorable for shares: At the end of 2009, the MSCI World Equity Index was trading at about 15% below the level of 1999. The first ten years of the new millennium have been a very disappointing decade for equity investors.

Riskier asset classes such as equity investments, but also corporate bonds or commodities, will remain volatile. Despite the improving economic environment, a setback or a renewed fall into a recession cannot be ruled out. The global banking system remains vulnerable, even though significant progress was achieved and many large institutions successfully managed to recapitalize. But the financial sector could provide negative surprises at any time, and a sharp decline of the US dollar from current levels could rattle markets too. Increasing discussions concerning exit strategies will likely increase volatility. Up until now, financial markets have strongly benefited from the elevated liquidity and it remains to be seen how they digest a return to a more neutral monetary policy. As a rule of thumb, rising interest rates are negative for financial assets. Moreover, the long-term implications of the aggressive measures that were implemented in the wake of the financial crisis, as well as the high public debt levels, are still largely unknown.

Allocation of Profit

The Board of Directors proposes to the Ordinary Annual Meeting of Shareholders that both the current balance sheet and profit and loss statement for the business year 2009 be approved. After approval of the allocation of profit and the distribution of a dividend of 20%, as proposed on page 10 of this report, shareholders' equity will total CHF 492.0 million.

Board of Directors, Auditors and Management

At the Ordinary General Meeting of Shareholders on April 17, 2009 Mr. Alois V. Meyer, whose tenure had expired, was re-elected as member of the Board of Directors for a term of office of four years, i.e. until the Ordinary General Meeting of Shareholders 2013. Mr. Antoine Raphael was elected as new member of the Board of Directors for a term of office of four

years, i.e. until the Ordinary General Meeting of Shareholders 2013.

Deloitte Ltd. was re-appointed as the Bank's auditors.

Mr. Alois Meyer passed away unexpectedly on June 26, 2009. We lost a Board member who was very experienced in banking. We esteem his valuable contribution as well professional advice during his terms of office since 2001.

Mr. David Tunbridge, member of the Management Committee, left the Bank as of October 8, 2009 and Mr. Matthias Oettli, COO and Deputy General Manager, retired early as of October 23, 2009. The Board of Directors thanks both of them for their professional contribution and wishes them all the best in their professional and private future.

The tenure of Messrs. Adel Hamid Shoman, Chairman, and Sabih Taher Masri, Member, will expire in 2010. It is proposed to the Ordinary General Meeting of Shareholders that their appointments be renewed for another four-year term, i.e. until the Ordinary General Meeting of Shareholders 2014.

We propose that Deloitte Ltd. is re-appointed as the Bank's auditors for a period of one year.

In the past business year, the Board of Directors appointed Mr. André Herr and Mr. Laszlo Schweiger as Directors at our Zurich office. Further, the Board of Directors appointed Mr. Patrick Culliford, Mr. Rani Jabban and Mr. Patrick Pillon as Executive Directors at our Geneva branch.

Our thanks go to our shareholders and clients for their trust and loyalty. They are motivating us to specifically provide clients of Arab Bank plc also with the same high quality banking services in the future as today. We also thank our staff warmly for the continuous support in a year of change and on the way to a year of challenge.

The Board of Directors



Snowy mountain range, Swiss Alps, Switzerland



Layers of mountain chains at sunrise in Arabia

BALANCE SHEET

AT DECEMBER 31, 2009

CHF	2009	2008	Variance
Assets			
Cash	21 102 882	6 718 038	14 384 844
Money market instruments	842 825	1 012 509	- 169 684
Due from banks	1 881 476 377	845 773 500	1 035 702 877
Due from customers	400 156 669	600 780 363	- 200 623 694
Mortgages	96 070 700	103 297 700	- 7 227 000
Securities and precious metal trading portfolios	31 669 174	10 651 446	21 017 728
Financial investments	217 049 103	197 405 558	19 643 545
Participations	1	1	
Fixed assets	50 968 000	50 950 000	18 000
Accrued income and prepaid expenses	18 080 707	13 040 423	5 040 284
Other assets	9 194 357	14 433 997	- 5 239 640
Total assets	2 726 610 795	1 844 063 535	882 547 260
Total subordinated claims	20 615 765	20 615 765	
Liabilities and shareholders' equity			
Due to banks	1 212 219 647	980 610 989	231 608 658
Due to customers	946 701 932	289 103 828	657 598 104
Accrued expenses and deferred income	9 540 989	7 961 949	1 579 040
Other liabilities	10 692 671	14 500 025	- 3 807 354
Valuation adjustments and provisions	50 079 724	50 114 432	- 34 708
Reserves for general banking risks	80 381 634	82 703 997	- 2 322 363
Share capital	26 700 000	26 700 000	
General legal reserve	22 335 000	21 667 500	667 500
Other reserves	359 850 000	358 350 000	1 500 000
Retained earnings brought forward	2 173 315	3 402 811	- 1 229 496
Net income	5 935 883	8 948 004	- 3 012 121
Total liabilities and shareholders' equity	2 726 610 795	1 844 063 535	882 547 260
Off-balance sheet transactions			
Contingent liabilities	115 809 977	71 144 181	44 665 796
Irrevocable commitments	106 655 805	123 315 121	- 16 659 316
Confirmed credits	6 734 670	5 222 393	1 512 277
Derivative instruments:			
■ Contract volume	647 846 155	423 940 356	223 905 799
■ Positive replacement value	8 816 019	13 262 061	- 4 446 042
■ Negative replacement value	5 848 885	8 897 705	- 3 048 820
Fiduciary transactions	1 385 831 060	2 598 744 564	- 1 212 913 504

PROFIT AND LOSS STATEMENT

CHF	2009	2008	Variance
Results from interest activities:			
Interest and discount income	38 089 148	71 004 552	- 32 915 404
Interest and dividend income on trading portfolio	396 569	326 137	70 432
Interest and dividend income on financial investments	6 104 248	5 639 172	465 076
Interest expenses	- 20 301 530	- 55 003 753	34 702 223
Total net interest income	24 288 435	21 966 108	2 322 327
Results from commission and service fee activities:			
Commission income on lending activities	2 657 913	2 289 238	368 675
Commission income on securities and investment transactions	15 772 782	19 333 660	- 3 560 878
Commission income on other services	1 515 351	1 601 990	- 86 639
Commission expenses	- 1 366 362	- 1 565 772	199 410
Total result from commission and service fee activities	18 579 684	21 659 116	- 3 079 432
Result from trading operations	4 530 813	2 379 321	2 151 492
Total other ordinary results	1 318 102	- 5 656 690	6 974 792
Operating expenses:			
Personnel expenses	- 21 092 569	- 18 499 729	- 2 592 840
Other operating expenses	- 10 340 389	- 8 091 248	- 2 249 141
Total operating expenses	- 31 432 958	- 26 590 977	- 4 841 981
Gross profit	17 284 076	13 756 878	3 527 198
Depreciation and write-offs on non-current assets	- 2 308 905	- 1 279 263	- 1 029 642
Valuation adjustments, provisions and losses	- 8 635 850	- 17 170 888	8 535 038
Profit before extraordinary items and taxes	6 339 321	- 4 693 273	11 032 594
Extraordinary income	2 916 426	15 000 000	- 12 083 574
Extraordinary expense	- 2 530 271	- 240 685	- 2 289 586
Taxes	- 789 593	- 1 118 038	328 445
Net income	5 935 883	8 948 004	- 3 012 121

ALLOCATION OF EARNINGS

CHF	2009	2008	Variance
Net income	5 935 883	8 948 004	- 3 012 121
Retained earnings brought forward	2 173 315	3 402 811	- 1 229 496
Retained earnings at the end of period	8 109 198	12 350 815	- 4 241 617
The Board of Directors proposes:			
Distribution of a dividend of 20% on the share capital (30%)	5 340 000	8 010 000	- 2 670 000
Allocation to legal reserve	400 500	667 500	- 267 000
Allocation to other reserves	1 500 000	1 500 000	
Surplus to be carried forward to new account	868 698	2 173 315	- 1 304 617
As stated above	8 109 198	12 350 815	- 4 241 617
Upon acceptance of this proposal, the dividend will be paid as follows:			
To the shareholders registered in the share book at March 25, 2010, per share of CHF 0.75 par value	0.15000	0.22500	- 0.07500
less 35% Swiss withholding tax	- 0.05250	- 0.07875	0.02625
Net per share	0.09750	0.14625	- 0.04875

STATEMENT OF CASH FLOWS

CHF 1000	2009		2008	
	Source of funds	Application of funds	Source of funds	Application of funds
Cash flow from operating results				
Net income	5 936		8 948	
Depreciation and write-offs on non-current assets	2 309		1 279	
Valuation adjustments and provisions		35	1 675	
Allocation to reserves for general banking risks		2 322		
Accrued income and prepaid expenses		5 040	4 954	
Accrued expenses and deferred income	1 579			9 242
Dividend of preceding year		8 010		8 010
Balance		5 583		396
Cash flow from investment activities				
Real estate		997		2 501
Fixed assets		1 330		478
Balance		2 327		2 979
Cash flow from banking operations				
Cash flow from interbank operations				
Due to banks	231 609			443 855
Due from banks		1 035 703	199 755	
Money market instruments	170		5 055	
Cash flow from customers operations				
Due to customers	657 598		194 127	
Due from customers	200 624			52 499
Mortgages	7 227		2 648	
Other balance sheet items				
Financial investments		19 644	95 340	
Other assets	5 239			10 501
Other liabilities		3 807	8 348	
Liquidity				
Cash		14 385		513
Securities and precious metal trading portfolios		21 018	5 470	
Balance	7 910		3 375	
Total source of funds	7 910		3 375	
Total application of funds		7 910		3 375

1. Business Activities and Personnel

Arab Bank (Switzerland) Ltd. is constituted according to Swiss law as an independent company. It started operations in 1962 in Zurich and opened a branch in Geneva in June 1964.

The Bank is a public company with 22'000 shareholders identical to the shareholders of Arab Bank plc in Amman / Jordan. As an independent sister company we draw upon a wide network of branches in the Arab world and the world's major financial centers.

The focus of the services of Arab Bank (Switzerland) Ltd. is on providing asset management and investment advisory as well as financial planning services for private and institutional clients.

Arab Bank (Switzerland) Ltd. employed 91 people (full-time positions) at the end of 2009 (previous year: 85).

Private Banking

Private Banking caters and responds to the wealth

management and private banking needs of its predominantly Arabic clientele. Working closely with Arab Bank Group counterparts, the Bank offers to all their clients private banking services.

Investment Management

Investment Management offers Advisory services to Relationship Managers including product screening, due diligence reviews, creation of various products in each asset class, portfolio analysis, investment proposals and portfolio management.

Credit Activities

Credit activities consist of loans for private banking clients against marketable securities, deposits or other first class collateral. Additionally, Arab Bank (Switzerland) Ltd. assists in commercial initiatives, mainly in the area of trade finance concentrating on either business activities of our clients or business to and/or within the MENA region.

2. Accounting Policies and Valuation Principles

General Principles

Accounting and valuation principles are governed by the Swiss Code of Obligations, the Swiss Banking Law, the Articles of Association and the guidelines issued by the Swiss Financial Market Supervisory Authority FINMA. Accountable events are entered in the balance sheet on a trade date basis.

Risk Assessment by the Board of Directors

The Board of Directors regularly reviews the bank's key risks and, where necessary, takes appropriate measures.

The most important valuation principles can be summarized as follows:

Foreign Currency Translations

Claims and commitments in foreign currencies are converted at the exchange rates prevailing on the balance sheet closing date (CHF vs USD: 1.0306, CHF vs EUR: 1.4840).

Cash, Money Market Instruments

These items are capitalized at nominal value. The unearned discount income on money market instruments is accrued over the term of such instruments.

Claims and Liabilities in respect to Banks and Customers, Mortgage Loans

These amounts are valued at their nominal value. Valuation adjustments are made for identifiable risks.

General provisions exist for contingent risks. Lending against collateral is made within the generally accepted lending principles. These are stipulated in the internal rules and regulations. The valuation of real estate is based on market value, which is determined according to generally accepted valuation methods. Interest and commission income, which is overdue for more than 90 days, will only be booked after payment.

Trading Positions in Securities and Precious Metals

Trading positions are valued at market prices on the balance sheet date. Interest and dividend income from trading balances are credited to trading income. Refinancing costs are charged to trading income and credited to interest and discount income.

Financial Investments

Securities, acquired with the intent to hold over the long term, are carried in the balance sheet under "financial investments". The investments are valued at the lower of cost or market price. Any amounts, above or below par, resulting from the purchase of fixed-income securities are distributed over the residual maturity and recognized in "interest and dividend income from financial investments".

Participations

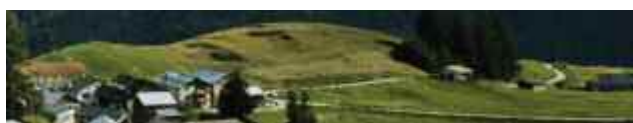
The Bank's participation was fully depreciated in the preceding years. There is no need to draw up a consolidated financial statement, as its participation may be classified as insignificant.

Fixed Assets

Fixed assets are depreciated completely either in the year of purchase or, in accordance with generally accepted economic principles, over their estimated useful life. Property is carried at cost including value-adding investments but excluding necessary or tax deductible depreciations.

Valuation Adjustments and Provisions

According to the principle of prudence, valuation adjustments and specific provisions are made for all identifiable risks. Amounts due at risk, that means amounts due where there is a probability that the customers cannot cover their outstanding liabilities, will



be valued on an individual basis. The decrease in value will be covered by an individual value adjustment. General provisions are made for all other risks. They are based on a rating system. The position "other provisions" is based on professional experience and may contain hidden reserves. Reserves for general banking risks are net of tax.

Taxes

Taxes are calculated in accordance with current tax laws and are either paid or provisioned for.

Derivative Instruments

The derivative financial instruments of the trading portfolio are carried at fair value. Hedging transactions are valued according to the underlying position and in accordance with the applicable rules and regulations.

Definition of Client Assets & Net Increase/(Decrease) of Client Assets

Client assets are asset values of clients, for which Arab Bank (Switzerland) Ltd. renders investment and consulting services. Custody portfolios and asset values, which are held exclusively for transaction and custodian purposes, are not included in the client assets. The same applies for loans and purely commercial clients. The net increase / (decrease) of client assets consists of the sum of all individual money deposits and payments as well as security incoming and outgoing deliveries, whereby new loans and loan repayments are accounted for. Interest and dividends credited to clients as well as debit interest, commissions and charges debited for bank services, are excluded from the calculation of the net increase/(decrease) of client assets, as they form part of the client performance. The same is valid for variations in client assets due to market currency and security prices.

Principles of Risk Management

Whenever risks are taken, they are identified, measured, monitored and limited accordingly. The relevant guidelines are adhered to.

Risk of Interest Rate Changes and Default

As a rule, risks of interest rate changes are minimized by funding loans with matching maturities. Conservative lending limits have been specified for solvency, currency, country and market risks. A system for monitoring and managing these risks has been set up to ensure reliable and effective internal controls.

Pension Plans

Arab Bank (Switzerland) Ltd. maintains own welfare schemes for its 90 staff members (including part-time employees) as well as pensioners (27 persons), disabled people (3) and dependants (3). The pension plans are based on the Swiss defined contribution system (defined contribution plans in accordance with "Swiss GAAP FER 26"). The Bank carries approximately two thirds of the cost of the professional welfare schemes for all staff members. The cost carried by the bank is shown under item 5.2: Social benefits.

The pension fund liabilities as well as the assets needed to cover the liabilities are separated from the Bank in legally independent foundations. Organization, management and financing of the pension plans are subject to Swiss Federal regulations and to the constitutions of the foundations as well as the currently valid rules and regulations of the pension plans.

As of January 1, 2009 the "Pension Fund II" for management committee members was integrated into the pension fund for all staff members. As a result of this the "Pension Fund II" was converted into a welfare foundation. The purpose of this welfare foundation is the financial precaution for all staff members as well as their survivors against economical consequences of age, disability and death. Further, the foundation intends to support staff members as well as their survivors in cases of financial needs due to illness, accident or unemployment.

Changes in Accounting Policies and Valuation Principles

No material change occurred in accounting policies and valuation principles.



Village in upper Engadine region, Switzerland



View to Ash Sharqiyah, Jebel Akhdar, part of the Al Hajar Mountains range in Oman

3. Information on the Balance Sheet

AT DECEMBER 31, 2009

CHF 1000				Total
	Mortgage collateral	Other collateral	Without collateral	
3.1 Schedule of collateral for loans and off-balance sheet transactions				
Loans				
Due from customers		288 775	111 382	400 157
Mortgages				
■ Residential real estate	96 071			96 071
Total current year	96 071	288 775	111 382	496 228
<i>Total preceding year</i>	<i>103 298</i>	<i>518 141</i>	<i>82 639</i>	<i>704 078</i>
Off-balance sheet transactions				
Contingent liabilities		86 977	28 833	115 810
Irrevocable commitments		20 000	86 656	106 656
Confirmed credits		1 036	5 699	6 735
Total current year		108 013	121 188	229 201
<i>Total preceding year</i>		<i>69 685</i>	<i>129 996</i>	<i>199 681</i>

CHF 1000	Total Debt	Estimated Liq. Value	Net Debt	Individual Value Adjustm.
Impaired loans / Receivables				
Reporting Period	26 241		26 241	26 241
<i>Previous Period</i>	<i>19 831</i>	<i>580</i>	<i>19 251</i>	<i>20 411</i>

CHF 1000	2009	2008
3.2 Securities and precious metal trading portfolios, financial investments and participations		
Securities and precious metal trading portfolios		
Interest bearing securities and rights		
■ Exchange listed	23 189	
■ Unlisted		2 895
Shares and similar securities and rights	8 480	7 756
Total	31 669	10 651

CHF 1000	Book value		Fair value	
	2009	2008	2009	2008
Financial investments				
Interest bearing securities and rights valued according to "Accrual Method"	211 867	192 354	214 084	188 285
Shares and similar securities and rights	5 182	5 051	5 182	5 051
Total	217 049	197 405	219 266	193 336
<i>of which securities acceptable to central banks</i>	<i>95 793</i>	<i>141 204</i>	<i>92 617</i>	<i>137 696</i>

	Domicile	Activity	Share Capital	Interest held in %
3.3 Details of participations				
ABS Corporate Services Inc.	Panama	Finance	USD 10 000	100

CHF 1000	2008			2009			
3.4 Schedule of fixed assets							
	Historical cost	Write-offs/Accumulated depreciation	Book value end of 2008	Investments	Disinvestments	Write-offs/Depreciation	Book value end of 2009
Real estate (bank building)	91 363	41 113	50 250	997		1 169	50 078
Other fixed assets	29 742	29 042	700	1 330		1 140	890
Total	121 105	70 155	50 950	2 327		2 309	50 968
Fire insurance value of real estate							54 622
Fire insurance value of other fixed assets							5 900

CHF 1000	2009		2008	
	Other assets	Other liabilities	Other assets	Other liabilities
3.5 Other assets and liabilities				
Total derivative instruments	8 816	5 849	13 262	8 898
Adjustment-account		2 723	885	4 136
Dividends		1 480		1 375
Settlement-accounts	262	641	256	91
Rest of other assets and liabilities	116		31	
Total	9 194	10 693	14 434	14 500

CHF 1000	2009	2008
3.6 Disclosure of assets pledged or ceded to secure own liabilities and assets subject to ownership reservation		
Securities pledged (credit line with Swiss National Bank, not utilized)		

CHF 1000

2009

2008

3.7 Disclosure of liabilities to own pension plans

Due to own pension plans	1 710	1 974
Expenses for own welfare schemes	2 178	2 127

There are half-autonomous welfare scheme (defined contribution) plans in accordance with "Swiss GAAP FER 26" for the staff members of Arab Bank (Switzerland) Ltd.

As at December 31, 2008, the coverage of the liabilities for the pension plans was 123.9% (preceding year: 143.3%)

3.8 Schedule of outstanding bond issues and mortgage bonds

The bank did not have any transactions relating to such bonds in the current or previous year.

CHF 1000

3.9 Valuation adjustments and provisions/ Reserves for general banking risks

	Balance end 2008	Specific usage	Change in definition of purpose	Recoveries and currency difference	New creation charged to income	Reversals credited to income	Balance end 2009
Valuation adjustments and provisions for:							
■ Loan loss (credit and country risks)	28 014			- 732	8 997	- 580	35 699
■ Other business risks	21 100	- 7 719	1 000				14 381
Other provisions	1 000		- 1 000				
Total valuation adjustments and provisions	50 114	- 7 719		- 732	8 997	- 580	50 080
Reserves for general banking risks	82 704					- 2 322	80 382

CHF 1000	2009			2008		
3.10 Capital structure						
	Total nominal value	Number of units nom. CHF 0.75	Dividend bearing capital	Total nominal value	Number of units nom. CHF 0.75	Dividend bearing capital
Total share capital	26 700	35 600 000	26 700	26 700	35 600 000	26 700
Significant shareholders						
Social Security Corporation, Amman (Jordan)		5 358 308	15.1%	5 341 241	15.0%	
Saudi Oger Ltd., Riyadh (Kingdom of Saudi Arabia)		3 201 766	9.0%	3 201 766	9.0%	
Oger Middle East Holding SAL, Beirut (Lebanon)		2 552 232	7.2%	2 552 232	7.2%	
Family Shoman, Amman (Jordan)		1 488 847	4.2%	1 488 847	4.2%	

CHF 1000	
3.11 Statement of changes in shareholders' equity	
Shareholders' equity at beginning of current year	
Share capital	26 700
General legal reserve	21 668
Other reserves	358 350
Reserves for general banking risks	82 704
Disposable profit	12 351
Total shareholders' equity at beginning of current year (before profit distribution)	501 773
- Dissolution of reserves for general banking risks	- 2 322
- Dividend 2008	- 8 010
+ Net income current year	5 936
Total shareholders' equity at end of current year (before profit distribution)	497 377
Thereof:	
■ Share capital	26 700
■ General legal reserve	22 335
■ Other reserves	359 850
■ Reserves for general banking risks	80 382
■ Disposable profit	8 109

CHF 1000

3.12 Maturity structure of current assets and borrowed funds

	At sight	Redeemable by notice	Due within 3 months	Due within 3 to 12 months	Due within 1 to 5 years	Due after 5 years	Total
Current assets							
Cash	21 104						21 104
Money market instruments			843				843
Due from banks	290 038		1 376 977	212 130	2 331		1 881 476
Due from customers		154 749	203 088	31 949	10 371		400 157
Mortgages			60 858	6 510	21 406	7 297	96 071
Securities and precious metal trading portfolios	31 669						31 669
Financial investments	5 182		10 320	41 627	147 670	12 250	217 049
Total current year	347 993	154 749	1 652 086	292 216	181 778	19 547	2 648 369
<i>Total preceding year</i>	<i>134 818</i>	<i>74 919</i>	<i>1 167 806</i>	<i>202 055</i>	<i>171 457</i>	<i>14 585</i>	<i>1 765 640</i>
Borrowed funds							
Due to banks	195 870		556 771	459 579			1 212 220
Due to customers	909 489		37 213				946 702
Total current year	1 105 359		593 984	459 579			2 158 922
<i>Total preceding year</i>	<i>305 742</i>	<i>305</i>	<i>945 034</i>	<i>18 634</i>			<i>1 269 715</i>

CHF 1000

2009

2008

3.13 Disclosure of amounts due from and due to associated companies as well as loans and exposures to the members of the bank's governing bodies

Due from associated companies	525 527	268 887
Due to associated companies	1 180 438	864 718
Due from members of the bank's governing bodies	30 107	31 869

Amounts "due from and due to associated companies" represent the interbank business concluded with the Arab Bank Group. The position "members of the bank's governing bodies" includes mortgages and contingent liabilities granted at usual banking conditions.

CHF 1000	2009		2008	
	Domestic	Foreign	Domestic	Foreign
3.14 Assets and liabilities by domestic and foreign origin				
Assets				
Cash	21 103		6 718	
Money market instruments		843		1 013
Due from banks	278 039	1 603 437	87 084	758 689
Due from customers	62 756	337 401	264 988	335 793
Mortgages	96 071		103 298	
Securities and precious metal trading portfolios	8 464	23 205	7 734	2 917
Financial investments	25 640	191 409	38 629	158 777
Fixed assets	50 968		50 950	
Accrued income and prepaid expenses	18 081		13 040	
Other assets	9 194		14 434	
Total assets	570 316	2 156 295	586 875	1 257 189
Liabilities and shareholders' equity				
Due to banks	33	1 212 186	12 655	967 956
Due to customers	45 307	901 395	23 280	265 824
Accrued expenses and deferred income	9 541		7 962	
Other liabilities	10 693		14 500	
Valuation adjustments and provisions	30 836	19 244	30 283	19 831
Reserves for general banking risks	80 382		82 704	
Share capital	26 700		26 700	
General legal reserve	22 335		21 668	
Other reserves	359 850		358 350	
Retained earnings brought forward	2 173		3 403	
Net income	5 936		8 948	
Total liabilities and shareholders' equity	593 786	2 132 825	590 453	1 253 611

CHF 1000	2009		2008	
	Amount	%	Amount	%
3.15 Assets by countries / country groups				
Europe				
Switzerland	570 316	20.9	586 875	31.8
United Kingdom	504 306	18.5	147 784	8.0
Germany	314 604	11.5	382 387	20.7
Ireland	105 669	3.9	10 177	0.6
Austria	70 080	2.6	28 031	1.5
Netherlands	56 373	2.1	25 360	1.4
Luxembourg	36 453	1.3	15 138	0.8
Greece	19 296	0.7	19 961	1.1
Italy	15 674	0.6	1 515	0.1
France	13 024	0.5	61 555	3.3
Belgium	7 120	0.3	5 302	0.3
Norway	5 010	0.2	10 038	0.5
Sweden	4 941	0.2	4 948	0.3
Other	15 386	0.6	11 691	0.8
Middle East				
Jordan	244 893	9.0	42 782	2.3
Bahrain	307 858	11.3	134 774	7.3
Lebanon	112 813	4.1	120 403	6.5
United Arab Emirates	34 705	1.3	13 676	0.7
Kingdom of Saudi Arabia	19 393	0.7	19 504	1.1
Egypt	4 634	0.2	3 869	0.2
Other	29 091	1.1	4 255	0.2
USA / Canada	166 768	6.0	122 857	6.7
Other American countries	64 527	2.3	68 739	3.7
Far East	2 639	0.1	239	
Other countries	1 038		2 204	0.1
Total assets	2 726 611	100.0	1 844 064	100.0

CHF 1000	CHF	USD	EUR	OTHER
3.16 Balance sheet by currencies				
Assets				
Cash	20 090	370	417	226
Money market instruments		843		
Due from banks	188 456	1 189 524	175 517	327 979
Due from customers	39 330	310 561	16 846	33 420
Mortgages	96 071			
Securities and precious metal trading portfolios	20	31 637	2	10
Financial investments	167 770	49 279		
Fixed assets	50 968			
Accrued income and prepaid expenses	13 847	2 258	26	1 950
Other assets	9 194			
Total balance sheet assets	585 746	1 584 472	192 808	363 585
Delivery claims from spot exchange deals, forward exchange deals and currency option transactions	23 322	136 001	22 291	300 243
Total assets	609 068	1 720 473	215 099	663 828
Liabilities and shareholders' equity				
Due to banks	12 542	783 950	29 875	385 853
Due to customers	34 807	599 753	162 178	149 963
Accrued expenses and deferred income	5 978	1 254	402	1 907
Other liabilities	10 693			
Valuation adjustments and provisions	23 839	26 241		
Reserves for general banking risks	80 382			
Share capital	26 700			
General legal reserve	22 335			
Other reserves	359 850			
Retained earnings brought forward	2 173			
Net income current year	5 936			
Total liabilities and shareholders' equity	585 235	1 411 198	192 455	537 723
Delivery claims for spot exchange deals, forward exchange deals and currency option transactions	23 303	310 330	22 290	125 705
Total liabilities	608 538	1 721 528	214 745	663 428
Net positions in currencies	530	- 1 055	354	400

4. Information on Off-Balance Sheet Transactions

CHF 1000	2009	2008	Variance
4.1 Analysis of contingent liabilities			
Credit guarantees	16 110	16 646	- 536
Back-up guarantees	33 652	29 797	3 855
Irrevocable commitments	66 048	24 701	41 347
Total contingent liabilities	115 810	71 144	44 666
4.2 Analysis of credit commitments			
Liabilities under deferred payments	6 735	5 222	1 513
Total credit commitments	6 735	5 222	1 513

CHF 1000	positive replacement value	negative replacement value	Contract volume
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4.3 Analysis of outstanding derivative instruments

Trading instruments

Foreign exchange

Forward contracts	5 236	4 875	481 857
Options (OTC)	567	551	63 178

Shares/Indices

Options (traded)	300	300	12 046
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Total current year	6 103	5 726	557 081
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<i>Total preceding year</i>	<i>10 418</i>	<i>8 898</i>	<i>343 941</i>
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Hedging instruments

Interest rate instruments

Swaps, Options (OTC)	2 713	123	90 765
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Total current year	2 713	123	90 765
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<i>Total preceding year</i>	<i>2 844</i>		<i>80 000</i>
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CHF 1000	2009	2008	Variance
4.4 Analysis of fiduciary transactions			
Fiduciary placements with third party banks	1 022 065	2 190 057	- 1 167 992
Fiduciary placements with banks of the group and affiliated banks	363 766	408 688	- 44 922
Total fiduciary transactions	1 385 831	2 598 745	- 1 212 914
4.5 Client assets			
Assets in own administrated funds	16 574	16 146	428
Assets with administrations' mandate	535 386	527 806	7 580
Other client assets	3 048 372	3 342 232	- 293 860
Total client assets (incl. double counts)¹⁾	3 600 332	3 886 184	- 285 852
Thereof double counts	12 780	12 866	- 86
Net change of client assets²⁾	- 395 252	- 176 162	- 219 090

Client Assets

1) Client Assets are asset values of clients, for which Arab Bank (Switzerland) Ltd. renders investment and consulting services, but without loans.

2) Sum of all individual money deposits and payments as well as security incoming and outgoing deliveries, whereby new loans and loan repayments are accounted for.

5. Information on the Profit and Loss Statement

CHF 1000	2009	2008	Variance
5.1 Analysis of results from trading operations			
Foreign exchange, precious metal and banknote trading	3 227	5 012	- 1 785
Securities trading	1 304	- 2 633	3 937
Total result from trading operations	4 531	2 379	2 152
5.2 Analysis of personnel expenses			
Salaries	17 175	14 297	2 878
Social benefits	3 339	3 463	- 124
Other	579	740	- 161
Total personnel expenses	21 093	18 500	2 593
5.3 Analysis of other operating expenses			
Premises expenses	1 051	794	257
IT, machinery, furnishings and other equipment	3 436	3 626	- 190
Other operating expenses	5 853	3 671	2 182
Total other operating expenses	10 340	8 091	2 249
5.4 Analysis of extraordinary income			
Extraordinary income	2 916 ²⁾	15 000 ¹⁾	- 12 084
Extraordinary expense	2 530 ³⁾	241	2 289
Total extraordinary income	386	14 759	- 14 373

1) Release of hidden reserves

2) Release of hidden reserves and reserves for general banking risks

3) Valuation adjustment of financial investments

To the Ordinary Annual Shareholders' Meeting of Arab Bank (Switzerland) Ltd., Zurich

Report on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Arab Bank (Switzerland) Ltd., Zurich which comprise the balance sheet, profit and loss statement, statement of cash flows and notes for the year ended December 31, 2009.



that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures

Opinion

In our opinion, the financial statements for the year ended December 31, 2009 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Deloitte Ltd

Stephan Schmidli
Licensed Audit Expert
Auditor in charge

Andreas Reis
Licensed Audit Expert

Zurich, February 22, 2010



Great Aletsch Glacier near Riederalp, Valais, Switzerland



A dried out riverbed in a desert mountain pass