

ARAB BANK MENA FUND
MANAMA
KINGDOM OF BAHRAIN

CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED
MARCH 31, 2011

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

Directors

Mr. Abdul Kader A. Askalan
Mr. Adel Kasaji
Mr. Qutaiba M. Hawamdeh
Mr. Samer Al Tamimi
Mr. Guy Khouri

Registered Office

P. O. Box 2400,
Manama,
Kingdom of Bahrain.

Investment Manager

Al Arabi Investment Group

Administrator, Custodian and
Registrar

Gulf Custody Company B.S.C. (c)

Principal Banker

Arab Bank plc - Bahrain

Auditor

Deloitte & Touche,
P.O. Box 421,
Manama,
Kingdom of Bahrain.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

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REVIEW REPORT TO THE UNIT HOLDERS

Arab Bank MENA Fund,
Manama,
Kingdom of Bahrain.

Introduction

We have reviewed the accompanying condensed statement of financial position of Arab Bank MENA Fund ("the Fund") as at March 31, 2011 and the related condensed statement of comprehensive income, condensed statement of changes in net assets and condensed statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information does not present fairly, in all material respects, the financial position of the Fund as at March 31, 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34").

Emphasis of Matter

We draw attention to Note 5 (a) to the condensed interim financial information. The financial assets at fair value through profit or loss include investments in listed shares and available-for-sale investments include listed bonds, which, according to the Investment Manager, provide the Fund with the opportunity to enhance the return on the investment through trading gains. The fair value of these securities are based on quoted market prices. Certain markets and securities may be illiquid and indicative market prices may not necessarily represent realisable value. Our conclusion is not qualified in respect of this matter.

Manama – Kingdom of Bahrain
June 6, 2011

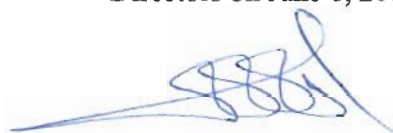
Deloitte & Touche
Deloitte & Touche

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT MARCH 31, 2011

	<u>Notes</u>	<u>March 31,</u> <u>2011</u> <u>USD</u>	<u>September 30,</u> <u>2010</u> <u>USD</u> <u>(Audited)</u>
Assets:			
Current assets			
Cash at banks		13,717,889	16,733,221
Financial asset designated at fair value through profit or loss	5	20,868,935	20,491,946
Investments – available-for-sale	5	998,761	755,415
Other assets		645,656	29,857
		-----	-----
Total assets		36,231,241	38,010,439
		-----	-----
Liabilities:			
Current liabilities			
Due to related party	6	134,383	141,022
Accrued expenses and other payables		49,633	40,423
		-----	-----
		184,016	181,445
		-----	-----
Net assets attributable to holders of redeemable units		36,047,225	37,828,994
		=====	=====
Analysis of net assets:			
Capital	7	53,102,632	54,872,616
Net cumulative realised loss		(16,419,316)	(16,281,399)
Changes in fair value of financial assets at fair value through profit or loss	5	(629,933)	(763,379)
Fair value reserve for available-for-sale investments	5	(6,158)	1,156
		-----	-----
Net assets		36,047,225	37,828,994
		=====	=====
Number of shares	7	4,808,980	5,046,482
		=====	=====
Net Asset value per unit		7.4958	7.4961
		=====	=====

The condensed interim financial information was approved and authorised for issue by the Directors on June 6, 2011 and signed on their behalf by:



Director



Director

The attached notes form part of this condensed interim financial information.



ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

	<u>Note</u>	<u>Six-Month Period</u>	
		<u>Ended March 31,</u>	
		<u>2011</u>	<u>2010</u>
		<u>USD</u>	<u>USD</u>
Revenue			
Interest income – available-for-sale investments		70,590	29,826
Other interest income		40,278	16,086
Dividend income		664,105	404,918
Net realised loss on financial assets at fair value through profit or loss		(424,660)	(2,855,113)
Net unrealised gain on financial assets at fair value through profit or loss		133,446	4,395,826
Net foreign currency loss		(109,609)	(17,453)
Total operating income		<u>374,150</u>	<u>1,974,090</u>
Expenses			
Management fees	6	(274,544)	(288,802)
Custody and administration fees		(27,704)	(34,124)
Registrar fees		(7,588)	(8,143)
Professional fees		(10,211)	(9,192)
Bank charges		(1,701)	(1,443)
Other expenses		(56,873)	(91,816)
Total operating expenses		<u>(378,621)</u>	<u>(433,520)</u>
Operating (loss) / profit		<u>(4,471)</u>	<u>1,540,570</u>
Other comprehensive income			
Net loss arising on revaluation of available-for-sale investments		(7,314)	(23,452)
Total comprehensive (loss) / income for the period		<u>(11,785)</u>	<u>1,517,118</u>
(Decrease) / increase in net assets attributable to holders of redeemable units		<u>(11,785)</u>	<u>1,517,118</u>

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CHANGES IN NET ASSETS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2011</u> <u>USD</u>	<u>Six-Month</u> <u>Period Ended</u> <u>March 31,</u> <u>2010</u> <u>USD</u>
Net assets attributable to holders of redeemable units at the beginning of period	37,828,994	38,486,691
Issue of redeemable units	1,097,851	325,000
Redemption of redeemable units	(2,867,835)	(606,075)
(Decrease) / increase in net assets attributable to holders of redeemable units	(11,785)	1,517,118
Net assets attributable to holders of redeemable units at the end of period	<u><u>36,047,225</u></u>	<u><u>39,722,734</u></u>

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

	<u>Six Month Period</u>	
	<u>Ended March 31,</u>	
	<u>2011</u>	<u>2010</u>
	<u>USD</u>	<u>USD</u>
Cash flows from operating activities		
(Decrease) / increase in net assets attributable to holders of redeemable units	(11,785)	1,517,118
Adjustments for:		
Net loss on revaluation of available-for-sale investments	7,314	23,452
Net loss / (gain) on financial assets at fair value through profit or loss	291,214	(1,540,713)
Dividend income	(664,105)	(404,918)
Interest income	(110,868)	(45,912)
	-----	-----
	(488,230)	(450,973)
Changes in operating assets and liabilities:		
(Increase) / decrease in other assets	(177,871)	322,526
(Decrease) / Increase in due to a related party	(6,639)	2,371
Increase in accrued expenses and other payables	9,210	12,549
	-----	-----
	(663,530)	(113,527)
Purchase of financial assets at fair value through profit or loss	(7,263,452)	(14,932,804)
Proceeds from disposal of financial assets at fair value through profit or loss	6,595,249	14,099,148
(Purchases) / capital refunds from bonds	(250,660)	376,334
Dividend received	219,971	106,570
Interest received	117,074	20,696
	-----	-----
Net cash used in operating activities	(1,245,348)	(443,583)
	-----	-----
Cash flows from financing activities		
Proceeds from issue of redeemable units	1,097,851	325,000
Payments on redemption of redeemable units	(2,867,835)	(606,075)
	-----	-----
Net cash used in financing activities	(1,769,984)	(281,075)
	-----	-----
Net decrease in cash and cash equivalents	(3,015,332)	(724,658)
Cash and cash equivalents at the beginning of the period	16,733,221	18,880,481
	-----	-----
Cash and cash equivalent at the end of the period	13,717,889	18,155,823
	=====	=====
Comprising:		
Cash at banks	13,717,889	18,155,823
	=====	=====

The attached notes form part of this condensed interim financial information.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

1. **FORMATION AND OBJECTIVE OF THE FUND:**

Arab Bank MENA Fund (“the Fund”) is an open-ended investment fund established by Arab Bank MENA Fund Company B.S.C. (c) (“the Fund Company”). The Fund is an Expert Fund under the collective investment undertakings regulations issued by the Central Bank of Bahrain (“the CBB”) as contained in the rule book, volume 6, Capital Market. The Fund Company has been registered at the Ministry of Industry & Commerce and is authorised and approved by the CBB.

The Fund is managed by Al Arabi Investment Group (“the Investment Manager”) who manages the Fund as a fiduciary patrimony on a discretionary basis authorise to the provisions of the Fund’s by-laws and the provisions of law that regulates fiduciary activities. Gulf Custody Company B.S.C (c) is the custodian and administrator (referred to as “the Custodian” or “the Administrator”) agent of the Fund.

The objective of the Fund is to provide income primarily from investments in equities with possible investment in bonds aiming to preserve capital during period of weak equity market performance and maximising capital growth during period of strong equity markets performance. The Fund may distribute dividends on an annual basis, upon the sole discretion of the Investment Manager.

The financial statements represent the assets, liabilities and operations of the Fund only. The Fund does not have any employees and utilises the services of the Investment Manager, Administrator and Custodian to operate the Fund.

2. **BASIS OF PREPARATION:**

The condensed interim financial information has been prepared using accounting policies consistent with International Financial Reporting Standards and in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”.

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. For more details, please refer to the audited financial statements for the year ended September 30, 2010.

In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the period are not necessarily indicative of the results that may be expected for the financial year ending September 30, 2011.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

3. **SIGNIFICANT ACCOUNTING POLICIES:**

The condensed interim financial information has been prepared under the historical cost convention except for the valuation of securities designated at fair value through profit or loss.

The same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Fund's financial statements for the year ended September 30, 2010, except for the impact of the adoption of the Standards and Interpretations described below:

Standards affecting the disclosures and presentation in the current period

None of the revised Standards that have been adopted in the current period which are effective for annual periods beginning on or after October 1, 2010 have affected the disclosures and presentations in the financial information.

4. **JUDGEMENTS AND ESTIMATES:**

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements as at and for the year ended September 30, 2010.

5. **INVESTMENTS:**

	<u>March 31,</u> <u>2011</u> <u>USD</u>	<u>September 30,</u> <u>2010</u> <u>USD</u> <u>(Audited)</u>
Financial assets at fair value through profit or loss (Note 5.1)	20,868,935	20,491,946
Investments – available for sale (Note 5.2)	998,761	755,415
	<u>21,867,696</u>	<u>21,247,361</u>

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

5. **INVESTMENTS: (CONTINUED)**

5.1 Financial assets at fair value through profit or loss comprise:

<u>Investment in listed shares</u>	<u>March 31, 2011</u>		<u>Change in</u>
	<u>Cost</u>	<u>Fair value</u>	<u>Fair value</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Palestine	68,687	58,457	(10,230)
Iraq	57,952	91,084	33,132
Egypt	2,044,111	1,648,954	(395,157)
Jordan	1,911,758	1,836,854	(74,904)
Kuwait	91,755	94,337	2,582
Bahrain	368,037	322,281	(45,756)
Qatar	4,258,515	4,776,043	517,528
United Arab Emirates	2,476,060	2,150,620	(325,440)
Saudi Arabia	9,784,866	9,459,080	(325,786)
Syria	280,357	288,367	8,010
Oman	156,770	142,858	(13,912)
	-----	-----	-----
	<u>21,498,868</u>	<u>20,868,935</u>	<u>(629,933)</u>

September 30, 2010 (Audited)

	<u>Cost</u>	<u>Fair Value</u>	<u>Change in Fair</u>
	<u>USD</u>	<u>USD</u>	<u>Value</u>
	<u>USD</u>	<u>USD</u>	<u>USD</u>
Palestine	155,008	112,923	(42,085)
Egypt	965,494	1,027,275	61,781
Jordan	1,647,719	1,394,029	(253,690)
Kuwait	171,962	186,265	14,303
Bahrain	387,931	368,037	(19,894)
Qatar	4,465,620	4,463,021	(2,599)
United Arab Emirates	3,773,464	3,436,205	(337,259)
Saudi Arabia	9,453,235	9,223,834	(229,401)
Syria	234,892	280,357	45,465
	-----	-----	-----
	<u>21,255,325</u>	<u>20,491,946</u>	<u>(763,379)</u>

ARAB BANK MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

5. **INVESTMENTS: (CONTINUED)**

5.2 Investments – available-for-sale comprise:

<u>Investment in listed bonds</u>	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>March 31, 2011</u>		
			<u>Cost</u> <u>USD</u>	<u>Fair</u> <u>Value</u> <u>USD</u>	<u>Fair Value</u> <u>Reserve</u> <u>USD</u>
Bank Muscat non-guaranteed bonds	June 30, 2014	6.25	594,713	589,482	(5,231)
AHB non guaranteed bonds	May 15, 2011	5.55	159,546	156,112	(3,434)
Republic of Lebanon bonds	December 17, 2017	7.90	250,660	253,167	2,507
			<u>1,004,919</u>	<u>998,761</u>	<u>(6,158)</u>

	<u>Maturity</u>	<u>Coupon</u> <u>rate</u> <u>%</u>	<u>September 30, 2010 (Audited)</u>		
			<u>Cost</u> <u>USD</u>	<u>Fair</u> <u>Value</u> <u>USD</u>	<u>Fair Value</u> <u>Reserve</u> <u>USD</u>
Bank Muscat non - guaranteed bonds	June 30, 2014	6.25	594,713	595,869	1,156
AHB non - guaranteed bonds	May 15, 2011	5.55	159,546	159,546	-
			<u>754,259</u>	<u>755,415</u>	<u>1,156</u>

- (a) Investments in listed shares are classified as financial assets at fair value through profit or loss and investments in listed bonds are classified on available-for-sale. These securities provide the Fund with the opportunity to enhance the return on investment through trading gains. The fair value of these securities are based on market prices, which may not necessarily represent realisable value because of market illiquidity.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

6. **RELATED PARTY DISCLOSURES:**

Transactions with entities in which the Investment Manager and its parent company, Arab Bank Plc have substantial or controlling interest are classified as transactions with related parties since Al Arabi Investment Group, Jordan is the principal shareholder of the Fund Company, correspondingly all branches of Arab Bank Plc are also considered as related parties. These transactions are approved by the Board of Directors.

- The following are the transactions and balances between the Fund and its related parties:

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Amount incurred</u>		<u>Payable as at March 31, 2011</u> <u>USD</u>	<u>Payable as at September 30, 2010 (Audited)</u> <u>USD</u>
		<u>Six-month period ended March 31,</u>			
		<u>2011</u> <u>USD</u>	<u>2010</u> <u>USD</u>		
Al Arabi Investment Group	Management fees	274,544	288,802	134,383	141,022

- The following related parties owned units in the Fund:

<u>Related Party</u>	<u>Nature of Relationship</u>	<u>Number of units held as at</u>	
		<u>March 31, 2011</u>	<u>September 30, 2010</u>
- Arab Bank (Switzerland)	Subsidiary of Arab Bank Plc, Jordan	988,160	1,088,058
- Arab Bank plc, Wholesale Bank, Bahrain	Branch of Arab Bank Plc, Jordan	500,000	500,000
- Oman Arab Bank S.A.O.C.	Affiliate of Arab Bank Plc, Jordan	50,000	50,000

Arab Bank plc, Jordan is the Ultimate Parent Company of the Fund Company.

ARAB BANK MENA FUND
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

6. **RELATED PARTY DISCLOSURES: (CONTINUED)**

- The Fund has the following bank balances and has invested in equity shares of the following:

<u>Related Party</u>	<u>Nature of Transaction</u>	<u>Nature of Relationship</u>	<u>Fair Value</u>	
			<u>March 31, 2011</u> <u>USD</u>	<u>September 30, 2010</u> <u>USD</u>
Arab Bank Plc – Wholesale Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	2,522,944	2,735
Arab Bank Plc – Retail Bank, Bahrain	Current account	Branch of Arab Bank Plc, Jordan	11,949	17,317
Arab Bank Plc, Jordan	Equity shares	Ultimate Parent of the Fund Company	699,433	818,760
Arab Bank Plc, Jordan	Current account	Ultimate Parent of the Fund Company	399	462,615
Arab Bank Plc, Palestine	Current account	Branch of Arab Bank Plc, Jordan	24,552	24,546
Oman Arab Bank S.A.O.C.	Current account	Affiliate Company of Arab Bank Plc, Jordan	3,271,839	5,131,353
Arab Bank Syria	Current account	Affiliate Company of Arab Bank Plc, Jordan	1,219	1,219
Arab Bank Syria	Time deposits	Affiliate Company of Arab Bank Plc, Jordan	42,287	41,434

7. **CAPITAL:**

The capital of the Fund consists of redeemable units with a par value of USD 10 per unit, which do not carry voting rights. They are entitled to dividends and to a proportionate share of the Fund's net assets attributable to holders of redeemable units.

All issued redeemable units are fully paid. The Fund's capital is represented by these redeemable units. Quantitative information about the Fund's capital is provided in the statement of changes in net assets attributable to holders of redeemable units.

Each unit issued confers upon the unitholder an equal interest in the Fund, and is of equal value. A unit does not confer any interests in any particular asset or investment of the Fund.

ARAB BANK MENA FUND
MANAMA – KINGDOM OF BAHRAIN

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2011

7. **CAPITAL: (CONTINUED)**

Changes in the number of redeemable units outstanding can be reconciled as follows:

	<u>Number of units</u>	
	<u>March 31,</u> <u>2011</u>	<u>September 30,</u> <u>2010</u>
Opening balance at October 1,/ April 1,	5,046,482	5,213,595
Issue of redeemable units	39,640	43,944
Redemptions of redeemable units	(277,142)	(211,057)
	<u>-----</u>	<u>-----</u>
Ending balance at March 31, / September 30,	<u>4,808,980</u>	<u>5,046,482</u>

8. **FAIR VALUE OF FINANCIAL INSTRUMENTS:**

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. Consequently, differences may arise between the carrying values and the fair value estimates.

The Directors believe that the fair values of financial instruments carried at amortised cost at the reporting dates are not significantly different from the carrying values included in the financial statements.

8.1 **Fair value measurements recognised in the statement of financial position**

Financial instruments are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets at FVTPL and AFS are grouped within Level 1.

There are no financial liabilities at FVTPL at the reporting date. Further, there were no transfers between Level 1, Level 2 and Level 3 during the period.