



ARAB TRADE FINANCING PROGRAM
ANNUAL REPORT 2009

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CONTENTS

• Foreword	1
• Board of Directors	3
• The ATFP in Brief	5
• Arab Trade Developments	7
• Trade Finance Activity	13
• Other Trade Services Activities	17
• Financial Statements and Auditors' Report	20
• Shareholders	35
• National Agencies	36-40



FOREWORD

In 2009 the global economy continued to be negatively impacted by the after effects of the global financial crisis. Most of the developed economies went into recession and lower growth rates were recorded in most developing economies. The proactive monetary and fiscal measures implemented by governments in a large number of countries reflected positively on the economic situation in the second half of 2009 with some positive signs of recovery in the developing economies and in some of the industrial developed countries.

As for the Arab countries, the initial direct effect of the financial crisis on the banking and financial sector was limited. This was due to the limited exposure to the US mortgage market in addition to the preventive measures implemented by the monetary authorities in Arab countries to face the spillover from the global crisis. However, the fall in global demand for goods and services caused a sharp drop in oil prices and negatively affected economic activity in the Arab region. Lower growth rates were recorded in most of the Arab oil producing countries. The indirect repercussions of the global financial crisis on the Arab economies were reflected in lower revenues from exports of goods and services, lower financial inflows from expatriate remittances and foreign direct investment. Stringent credit extension measures were adopted by banks, and stock market indices fell and the markets recorded lower volumes of activity. However, the stabilization of oil prices during the later months of 2009 together with signs of increased domestic demand could indicate a return to growth of economic activity.

As for the activity of the Program during the year 2009, ATFP achieved an increase in the volume of its trade finance activity compared to prior years, whereby disbursements amounted to US\$776 million, compared to US\$774 million, the value of disbursements during 2008. Thus the outstanding balance of financing operations, as at year-end, amounted to US\$ 512 million, compared to US\$416 million as at 2008 year end. The cumulative volume of financing made available by the Arab Trade Financing Program since inception and up to the end of 2009 reached US\$ 7 billion. In line with the objective of expanding the geographical coverage of its operation, 10 new National Agencies were named during 2009 bringing the total to 193 National Agencies in 19 Arab countries and 5 non-Arab countries.

As for the activities of ATFP in ancillary trade services, the Program organized a Buyers/Sellers meeting in the Pharmaceutical sector in Cairo in 2009. The meeting was the sixteenth event in a series of meetings between exporters and importers from various economic sectors arranged by ATFP, which aim to identify new trading opportunities and markets for Arab companies and exporters. ATFP also continued to develop and update its intra-Arab Trade Information Network's database which is available online through its website for the benefit of parties involved in Arab trade.

As for the financial performance of ATFP, the audited financial statements for the year ended 31 December 2009 show total income amounting to US\$ 15.60 million. The drop in total income for this year when compared to US\$ 17.36 million, total income realized during the year 2008, is attributable to the drop in interest rates on the US Dollar to its lowest level that



markets did not witness as such before, thus this affected specifically income related to the Program's main activity in trade finance.

With regards to administrative expenses, it increased during the year 2009, amounting to US\$3.53 million compared to US\$3.50 million in 2008. Net income amounted to US\$12.08 million, compared with net income of the preceding year amounting to US\$13.88 million, and the decrease is attributable to the drop in total income realized during this year for the reasons noted earlier.

Shareholder's funds amounted to US\$ 781 million as at 2009 year end, compared to US\$769 million the opening balance as at the beginning of the year 2009. Beside the net income, the improvement in the market value of available for sale investments by US\$ 7.50 million, contributed to the increase in Shareholder's funds. On the other hand, pursuant to the Resolution No.3/2009 issued by the General Assembly in its twentieth annual meeting held on 8 April 2008, cash dividends amounting to US\$7.30 million on the basis of US\$75 per share, were paid on 30 June 2009 to shareholders of record as of 31 December 2008.

The Program looks forward during the year 2010, to continue its trade finance activity with the same expanding trend. We also look forward to concentrate on the marketing and promotional activity to expand on the utilization of the Program's facilities in the Arab states. Furthermore, we look forward for an improvement in the global economy in light of the recovery mood from the global financial crisis, so that the global and Arab trade are back to the levels of growth as it was before the crisis.

Yours faithfully,

Dr. Jassim Al Mannai
Chief Executive and Chairman of the Board



BOARD OF DIRECTORS

Dr. Jassim Al Mannai
Chief Executive and Chairman of the Board

MEMBERS

Dr. Abdulrahman A. Al Hamidy

Vice Governor
Saudi Arabian Monetary Agency
Representing
“The Arab Monetary Fund”

Mr. Hussain Mohamed H. ALSada

Assistant Director, General Accounts Department
Ministry of Finance, State of Qatar
Representing
“The Arab Monetary Fund”

Mr. Ahmed Othman

Director, Technical Department
The Arab Fund for Economic & Social Development
Representing
“The Arab Fund and The Arab Multilateral Organizations”

Mr. Ibrahim Yehia Alnahari

Sub-Governor, Foreign Banking Operations
Central Bank Of Yemen,
Representing
“The Arab Central Banks”

Mr. Abdelhak Bedjaoui

General Director,
Economic & External Financial Relations
Ministry of Finance, Algeria
Representing
“The Arab Monetary Fund”

Mr. Mohammad Saeed Shahin

Deputy Governor
Central Bank of Jordan
Representing
“The Arab Monetary Fund”

Mr. Abdul-Hamid M. Zigalaie

Economic Advisor
The Arab Fund for Economic & Social Development
Representing
“The Arab Fund and The Arab Multilateral Organizations”

Mr. Amr Al Ashmawi

First Vice President, Head of Trade Finance & Forfaiting
Arab Banking Corporation (BSC)
Representing
“The Private Financial and Banking Institutions”



Dr. Jassim Al Mannai
Chief Executive and Chairman of the Board



Dr. Abdulrahman A. Al Hamidy



Mr. Abdelhak Bedjaoui



Mr. Hussain Mohamed H. ALSada



Mr. Mohammad Saeed Shahin



Mr. Ahmed Othman



Mr. Abdul-Hamid M. Zigalaie



Mr. Ibrahim Yehia Alnahari



Mr. Amr Al Ashmawi



THE ATFP IN BRIEF

Objectives & Means

ATFP aims at promoting and developing trade exchanges of Arab countries, and to enhancing the productivity and competitiveness of Arab producers and exporters. To achieve this end, ATFP seeks to bring together the resources capable of providing the necessary financing for such exchanges at convenient cost and terms. This is performed through various financing tools that include beside the Lines of Credit that are made available to its national agencies, risk sharing with the national agencies in its financing operations, forfaiting and financing in accordance with the Islamic Sharia. ATFP also seeks to provide exporters and importers in Arab states with information on Arab trade activities, those involved therein, market potentials and opportunities. In addition, ATFP strives to cooperate and coordinate with regional and local institutions of finance and insurance to provide the necessary coverage for such exchanges.

Legal Status

The Arab Trade Financing Program is a joint Arab financial institution which has an independent corporate identity and enjoys full rights, particularly with respect to ownership, contract, litigation, acceptance of deposits, borrowing and fund management.

ATFP enjoys privileges and immunities granted to it by the United Arab Emirates, its country of domicile, pursuant to the Protocol of Privileges and Immunities issued as Federal Decree No. 3 of the year 1990.

Resources

The resources of the ATFP consist of its own capital and reserves, funds deposited with it by financial institutions, borrowing from money markets or other sources falling within the guidelines set by the General Assembly, and any other resources approved by the General Assembly.

Shareholders

Shareholders of ATFP are classified into three categories. Category (A) includes the Arab Monetary Fund, joint Arab financial institutions, and Arab governmental institutions of finance and banking. Category (B) encompasses non-governmental financial and banking institutions in the Arab countries, while Category (C) similar institutions albeit of international or joint Arab-foreign financial and banking institution.

Capital

ATFP has an authorized capital of US500\$ million, consisting of 100000 shares at a par value of US\$5,000 per share. ATFP has a total number of 49 shareholders representing a number of Arab financial organization, Arab Central Banks and Arab and joint Arab Foreign



Commercial Banks. The list of the shareholders is lead by the Arab Monetary Fund and the Arab Fund for Economic & Social Development whereby each hold 54,810 shares and 21,924 shares respectively.

Organizational Structure

ATFP's organizational structure consists of a General Assembly which encompasses shareholders of all categories, a Board of Directors, and an Executive organizational structure which is headed by the Chief Executive & Chairman of the Board of Directors. The Executive Structure is comprised of three departments: - The Trade Development and Promotion Department, The Credit and Trade Finance Operations Department; and The Finance & Administration Department.

Program Characteristics

ATFP's nature of establishment, shareholding and activities, its characteristics and attributes, distinguish it from other sources of trade financing, in the following:

- Among joint Arab institutions specializing in trade financing, ATFP was the first to aim, as an objective, to contribute to the development of inter-Arab trade and to the enhancing the Arab exporter's competitive advantage.
- ATFP extends financing to all exporters and importers of Arab commodities, and seeks to contribute to the generation of new opportunities for trade exchanges in Arab commodities. Also, ATFP provides financing for capital goods of non-Arab origin that are necessary for the production activity in the Arab countries.
- ATFP provides financing for Arab trade at competitive pricing convenient terms.
- As a specialized Arab institution, ATFP is in a better position to coordinate and cooperate with regional and local institutions of finance and insurance on matters related to providing financing and insurance coverage for trade transactions at reasonable conditions.
- ATFP seeks to enhance the capabilities of the commercial banks engaged in providing financing for Arab trade.
- ATFP enjoys a broad shareholder base including joint Arab financial institutions as well as Arab banking institutions of governmental, private and joint nature. Such base allows the establishment of a comprehensive framework within which resources can be pooled with the ultimate objective of helping develop trade in Arab commodities.
- In addition to financing, ATFP provides a package of other services related to development of foreign trade. These include the provision of relevant and reliable trade information on Arab markets, the coordination of available trade opportunities, and the promotion of trade in the form of pan Arab buyers/sellers meetings.



ARAB TRADE DEVELOPMENTS

Arab foreign trade witnessed significant growth in 2008. Arab exports recorded an increase due to the surge in international oil prices in the first seven months of the year. Arab imports also increased due to the surge in international food prices in addition to the soaring value of oil imports bill for the Arab oil importing countries.

Arab Countries Foreign Trade:

Arab exports recorded a marked growth in 2008. Total exports amounted to US\$ 1050 billion compared to US\$ 792 billion in 2007, an increase of 32.5%. Thus Arab exports as a share of global exports increased to 6.7% from 5.7% in 2007.

Schedule No. 1
Total Arab Foreign Trade
2004-2008

	US\$ (billion)					Annual Change %					Average Change during the period 2004-2008
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	(%)
Arab Exports	403.3	559.6	681.0	792.3	1,049.8	31.9	38.7	21.7	16.3	32.5	27.0
Arab Imports	288.5	348.9	400.6	530.7	701.6	34.2	20.9	14.8	32.5	32.2	24.9
Global Exports	9,133.2	10,370.5	12,005.2	13,808.9	15,735.4	16.8	13.5	15.8	15.0	14.0	14.6
Global Imports	9,477.0	10,747.9	12,448.9	14,092.5	16,169.1	16.9	13.4	15.8	13.2	14.7	14.3
Ratio of Arab to Global Exports (%)	4.4	5.4	5.7	5.7	6.7						
Ratio of Arab to Global Imports (%)	3.0	3.2	3.2	3.8	4.3						

Source: Joint Arab Economic Report 2009

As for the export performance at the country level, indicators for 2008 show an increase in value of exports in all Arab countries. Thus, Oman recorded the highest increase at 52.8% followed by Jordan and Kuwait at 39.2% each, Djibouti at 31%, Morocco at 30%, Lebanon at 23.5%, Egypt at 22.1%, and Yemen at 20.4%. The increase in exports of Mauritania, Somalia and Syria ranged between 14.2% and 10.3%. It is worth noting that the exports of Saudi Arabia and UAE represented 52.3% of total Arab exports in 2008.

Total imports of Arab countries during 2008 recorded an increase of 32.2%. Thus Arab imports amounted to US\$702 billion compared to US\$531 billion in 2007. Accordingly, the



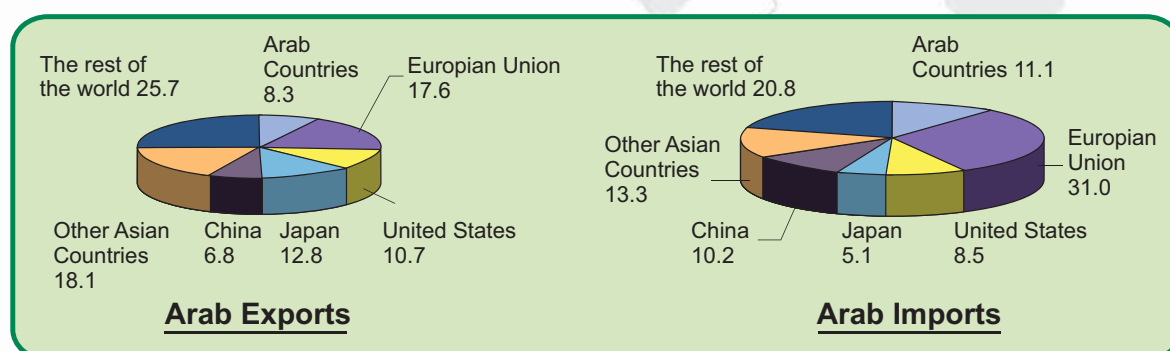
ratio of Arab imports to global imports increased to 4.3% in 2008 compared to 3.8% in 2007.

At the country level, indicators reflect growth of imports for all Arab countries. Iraq recorded the highest increase in imports reaching at 88.6%, followed by Oman at 44.4%, then Algeria at 44.1%. The increase in imports of Tunisia, Saudi Arabia, Egypt, Jordan, Yemen, Kuwait and Qatar ranged between 29% and 20.9%. Additionally, the increase in imports of Syria, Mauritania, Somalia and Sudan ranged between 18.1% and 6.6%. It is worth noting that the imports of Saudi Arabia and UAE represented 45.2% of the total Arab imports in 2008.

Geographical Distribution of Arab Trade

While Arab foreign trade increased with all trading partners during 2008, statistics reflected some change in the main trading partners' shares. As for direction of Arab exports, the share of European Union dropped from 18.2% to 17.6%. The share of Arab exports to the United States increased from 10.5% in 2007 to 10.7% in 2008, and Japan's share increased from 11.4% to 12.8%. China's share in Arab exports increased from 5.5% to 6.8% in 2008.

Arab Trading Partners in 2008



Source: Joint Arab Economic Report 2009

As for the direction of Arab imports, the share of Arab imports from the European Union dropped from 34.8% in 2007 to 31.0% in 2008 while the United States' share dropped to 8.5%. Likewise, the share of Arab imports from Asian countries dropped from 31.8% to 28.6% while on the contrary, the share of other countries in total Arab imports increased from 12% in 2007 to 20.8% in 2008.



Commodity Structure of Arab Foreign Trade

Statistics on the commodity structure of Arab exports indicate that mineral fuels still comprise the largest item of Arab exports amounting to 77.9% of total exports in 2008 due to the increase in oil exports. Chemical products, the second largest item amounted to 7%, followed by manufactured goods at 6%. Machinery and transport equipment represented 5%, followed by food & beverage exports at 2.4% and raw materials at 1.5%.

On the import side, machinery and transport equipment continued to top the list amounting to 36.3% of total Arab imports. This was followed by manufactured goods at 24.9% and food & beverage at 14.1%. Imports of mineral fuels reached 9.4% followed by chemical products at 9.3% and raw materials at 4.8%.

Schedule No. 2
Commodity Structure of Arab Foreign Trade (%)
2004 – 2008

	Arab Exports					Arab Imports				
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008
Food & Beverage	3.1	2.8	2.4	2.8	2.4	12.8	12.2	11.7	12.6	14.1
Raw Materials	2.6	2.2	2.1	1.1	1.5	5.1	5.0	5.0	3.3	4.8
Mineral Fuels	71.0	74.7	75.1	76.9	77.9	5.5	7.9	7.0	10.3	9.4
Chemical Products	4.1	3.2	4.0	6.1	7.0	8.4	8.2	7.8	9.6	9.3
Machinery & Transport Equipment	4.3	3.6	4.1	4.9	5.0	36.9	36.4	38.3	36.0	36.3
Manufactured Goods	14.2	12.8	11.6	7.3	6.0	28.6	27.5	27.5	25.4	24.9
Unclassified	0.7	0.7	0.7	1.0	0.2	2.7	2.8	2.7	2.8	1.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Joint Arab Economic Report 2009

Inter-Arab Trade

The average value of inter-Arab trade in 2008 recorded a significant increase of 22.5%. The value of inter-Arab exports increased by 22.9% and reached US\$86.8 billion, while the value of inter-Arab imports increased by 22.2% and recorded US\$78.2 billion.



Schedule No. 3
Value and Growth of Inter-Arab Trade
2004 – 2008

	Value (US\$ billion)					Annual Change (%)					Average Change during the period 2004-2008
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2008	%
Inter-Arab Trade (1)	33.8	46.1	56.0	67.3	82.5	42.0	36.3	21.5	20.3	22.5	25.8
Inter-Arab Exports (FOB)	36.1	48.1	58.5	70.7	86.8	42.1	33.4	21.5	20.9	22.9	25.1
Inter-Arab Imports (CIPF)	31.5	44.0	53.5	64.0	78.2	41.9	39.7	21.5	19.7	22.2	26.7

(1) (Inter-Arab Exports + Inter-Arab Imports) ÷ 2

Source: Joint Arab Economic Report 2009

As for the share of inter-Arab trade in total Arab trade, this was affected by the rate of growth of inter-Arab exports in 2008 falling short of the rate of growth of total Arab exports. This caused inter-Arab exports as a share of the total Arab exports to decrease from 8.9% in 2007 to 8.3% in 2008.

Similarly, as the rate of growth of inter-Arab imports in 2008 fell short of the rate of growth of total Arab imports, inter-Arab imports as a share of the total Arab imports decreased from 12.1% in 2007 to 11.1% in 2008. Consequently, the share of inter-Arab trade in the total Arab trade, dropped from 10.5% in 2007 to 9.7% in 2008.

Schedule No. 4
Share of Inter-Arab Trade in Total Arab Trade (%)
2004 – 2008

	2004	2005	2006	2007	2008	Period average 2004-2008
Ratio of Inter-Arab Exports to Total Arab Exports	9.0	8.6	8.6	8.9	8.3	8.7
Ratio of Inter-Arab Imports to Total Arab Imports	10.9	12.6	13.3	12.1	11.1	12.0

Source: Joint Arab Economic Report 2009



As for the performance of the individual Arab countries, the increase of inter-Arab exports of Sudan reached 105.1%, followed by Algeria at 66.1%, Morocco at 45.1%, and Yemen at 43.1%. The increase of inter-Arab exports of Lebanon, Bahrain, UAE Saudi Arabia, Qatar, Syria, Kuwait and Mauritania ranged between 23.7% and 11.1%. While on the contrary, the inter-Arab exports of Iraq and Somalia dropped by 15.5% and 4.5% respectively.

As for the inter-Arab imports, all Arab countries excluding Iraq and Somalia recorded an increase in 2008 while Djibouti's inter-Arab imports remained unchanged. Tunisia topped the list at 74.6% followed by Morocco at 47.7%, then Yemen at 41.2%, Bahrain at 31.0%, Saudi Arabia at 29.3% and Qatar at 8.1%. The inter-Arab imports of Iraq and Somalia dropped by 5.6% and 1.7% respectively.

Statistics indicate that Saudi Arabia has the largest share in intra Arab exports which reached US\$38.6 billion, a share of 44% of total intra Arab exports, followed by UAE reaching US\$14.4 billion or 16.5% of total inter-Arab exports, then Syria reaching US\$5.13 billion, and Oman US\$3.85 billion.

Geographical Distribution of Inter-Arab Trade:

It is evident that inter-Arab trade is still mostly concentrated in dealings between neighbouring Arab countries. Thus, for example, the bulk of inter-Arab exports of Tunisia are directed towards Libya and Algeria with a share of 68% while the inter-Arab exports of Qatar and Oman are directed towards UAE and Saudi Arabia with a share of 87% and 74% respectively. On the other hand, Saudi Arabia, Syria, Kuwait, Lebanon and Egypt were able to increase their geographical distribution of inter-Arab exports to more Arab countries.

On the import side, statistics confirm that the geographical location of a country plays a major role in determining its Arab trade partners. Therefore, the larger part of inter-Arab imports of Jordan are from Saudi Arabia with a share of 63.1%, while 84% of Bahrain's inter-Arab imports are from Saudi Arabia and 62% of Yemen's inter-Arab imports are from UAE. Lebanon is considered to be the most diversified in terms of its sources of imports from Arab countries.

Commodity Structure of Inter-Arab Trade:

Statistics related to commodity structure of inter-Arab trade show that raw materials and mineral fuels maintained the lead in inter-Arab exports at 59.6% of total inter-Arab exports in 2008, followed by food & beverage at 13.3%. Manufactured products at 12.5%, and chemical products ranked the fourth item with a share of 10.1% followed by machinery & transport equipment at 4.2%.



Schedule No. 5
Inter-Arab Trade Structure
2007 & 2008

Commodity	Inter-Arab Exports (%)		Inter-Arab Imports (%)	
	2007	2008	2007	2008
Raw Materials & Mineral Fuels	58.9	59.6	52.7	57.2
Foods & Beverage	13.0	13.3	11.8	12.4
Chemical Products	9.5	10.1	10.4	9.6
Manufactured Goods	13.0	12.5	16.4	13.1
Machinery & Transport Equipment	4.5	4.2	6.9	7.4
Unclassified Goods	1.2	0.3	1.7	0.3
Total	100.0	100.0	100.0	100.0

Source: Joint Arab Economic Report 2009

On the import side, raw materials & mineral fuels also topped the list followed by manufactured goods, food and beverage, chemical products, and machinery and transport equipment.



TRADE FINANCE ACTIVITY

Summary of Financing Activities During 2009

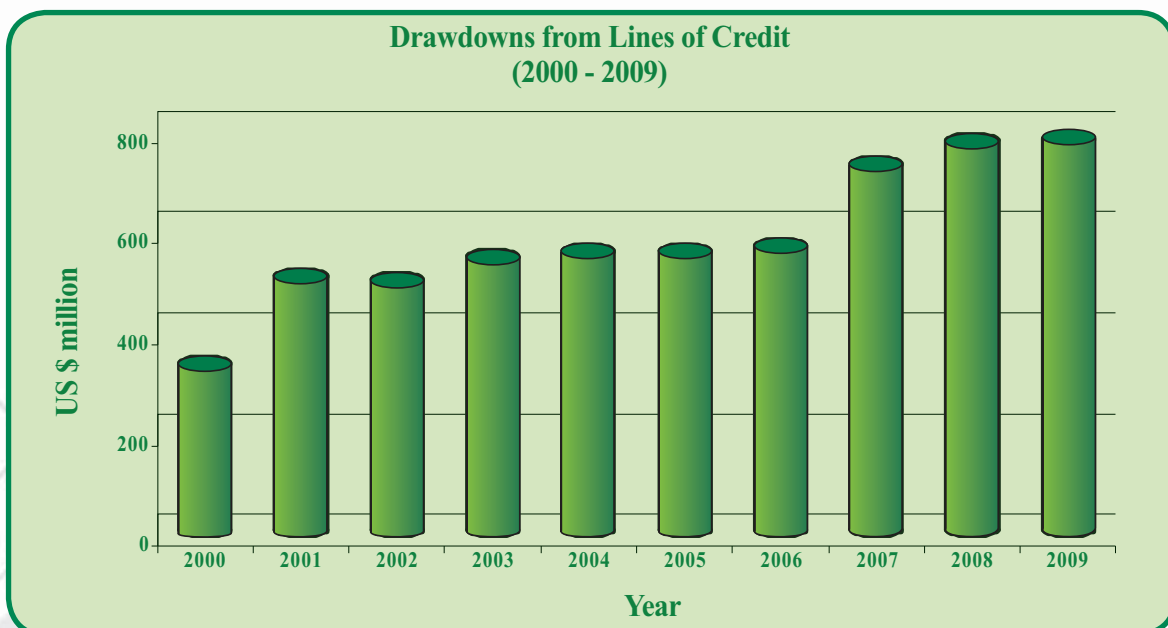
During 2009 ATFP received applications from its National Agencies in various Arab countries, amounting to US\$780 million, compared to US\$794 million at the end of 2008. Meanwhile, Disbursements against lines of credit amounted to US\$776 million compared to US\$774 million at the end of 2008. As at 31/12/2009, the outstanding balance of credit extended to National Agencies was US\$512 million compared to US\$416 million at year end 2008.



During 2009, thirty one lines of credit agreements were signed totaling US\$708 million compared to US\$842 million during 2008. The agreements signed during 2009 included both Unconfirmed Lines of Credit agreements and Murabaha agreements.

Agreements signed with ATFP National Agencies in 2009:

- The Hashemite Kingdom of Jordan: Ministry of Finance Jordan Commercial Bank



- United Arab Emirates: Abu Dhabi Commercial Bank, Commercial Bank of Dubai, National Bank of Fujairah P.S.C. , Al-Ahli Bank of Kuwait K.S.C. – Dubai



- **Republic of Tunisia:** Banque Centrale de Tunisie
- **Kingdom of Saudi Arabia:** Arab Petroleum Investments Corporation (APICORP)
- **State of Kuwait:** Al-Ahli Bank of Kuwait K.S.C., Burgan Bank, Commercial Bank of Kuwait
- **Republic of Lebanon:** Bank of Beirut & The Arab Countries S.A.L., BLC Bank S.A.L., Banque Audi S.A.L. (Audi Saradar Group), First National Bank S.A.L., Banque Bemo S.A.L., Bank of Beirut S.A.L., Banque Libano-Francaise S.A.L., Credit Libanais S.A.L., BankMed S.A.L., Fransabank S.A.L., Byblos Bank S.A.L.
- **Arab Republic of Egypt** , Central Bank of Egypt, Union National Bank- Egypt.



- **Syrian Arab Republic,** The International Bank for Trade and Finance
- **Sultanate of Oman,** Bank Muscat S.A.O.G.
- **State of Qatar,** Al Ahli Bank Q.S.C.



- **Republic of Sudan:** The Central Bank of Sudan, United Capital Bank (Increase of Murabaha Agreement)
- **Kingdom of Morocco:** Ministry of Economy and Finance

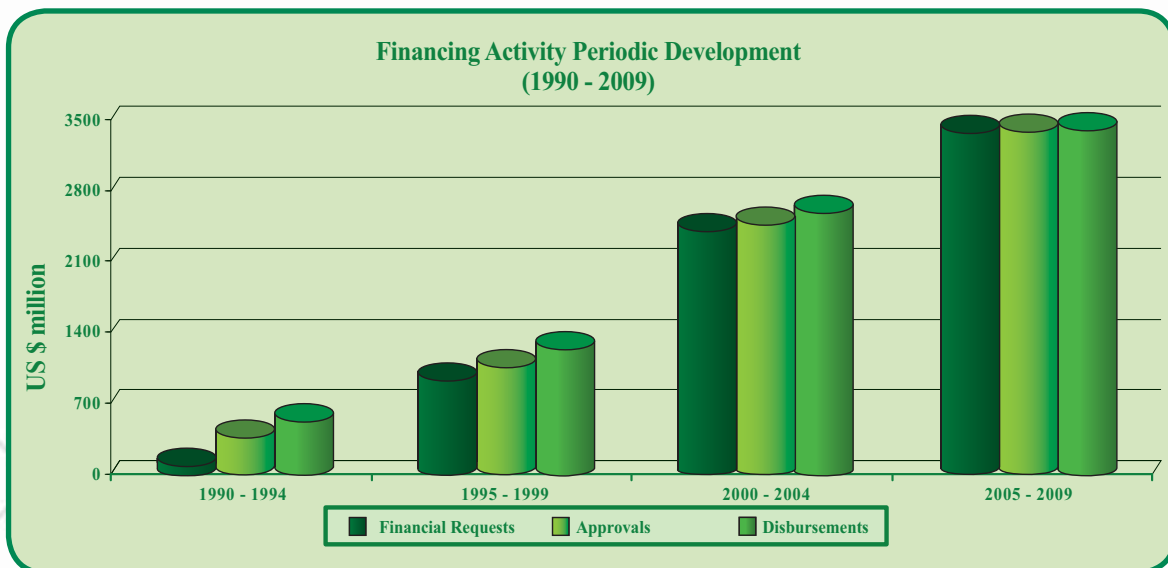


Trade transactions financed by ATFP included a varied range of commodities and products, but mainly comprised:

- **Consumer Goods:**
Foodstuffs, white sugar, books, furniture, cotton products and petroleum products;
- **Intermediary Goods:**
Petrochemical products, steel, aluminium and copper bars, chemical products, building material, wrapping material, glass sheets, glass bottles and paints;
- **Raw Material:**
Cotton, phosphate, fertilizers and crude oil;
- **Capital Goods:**
Industrial machinery and transformers.

Cumulative financing

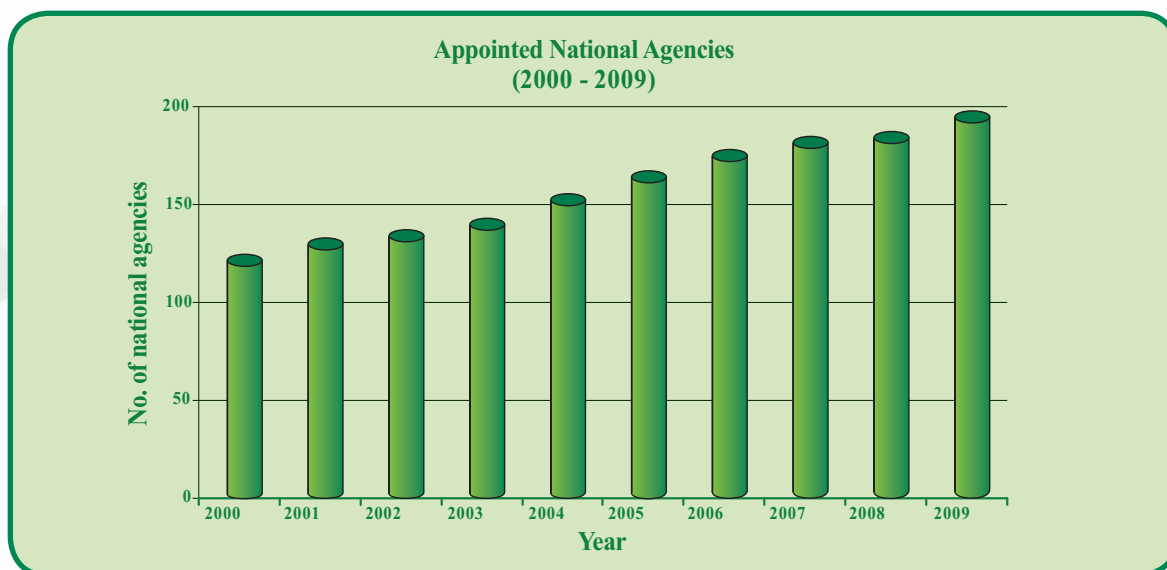
With regard to the cumulative financing figures since commencement of operations in 1991 up to the end of 2009, ATFP received applications totaling US\$7,827 million for eligible trade transactions totaling US\$9,626 million, and approved transactions amounting to US\$7,401 million. ATFP signed (522) lines of credit agreements for a total value of US\$7,106 million, and disbursed US\$6,906 million - out of which US\$6,394 million had been repaid.





National Agencies

ATFP continued its cooperation with all National Agencies in its effort to expand its financing facilities and associated services throughout the Arab world. During 2009, ATFP approved the nomination of ten new National Agencies in eight Arab countries, namely:



- **Great Socialist People's Libyan Arab Jamahiriya:** The Agricultural Bank
- **Kingdom of Bahrain:** Elaf Bank
- **The Hashemite Kingdom of Jordan:** Ministry of Finance, Cairo Amman Bank
- **United Arab Emirates:** Commercial Bank of Dubai
- **Republic of Sudan:** Bank of Khartoum, The Central Bank of Sudan
- **Kingdom of Saudi Arabia:** International Islamic Trade Finance Corporation (ITFC)
- **Republic of Lebanon:** Citibank, N.A.- Lebanon
- **Arab Republic of Egypt:** Arab International Bank

These new nominations bring the total number of ATFP National Agencies, as at the end of 2009, to 193 National Agencies in nineteen Arab countries and five non-Arab countries.



OTHER TRADE SERVICE ACTIVITIES

Since inception, ATFP aimed at setting up the Intra Arab Trade Information Network (IATIN) with the objective of providing reliable online information on Arab trade to all parties involved in the market. ATFP has finalized the process of linking the central core of the Headquarters to 33 focal points covering all Arab countries (except Somalia & Iraq) thereby securing delivery of the network's services to the widest possible range of business communities in the Arab region. IATIN provides a wide array of services to Arab traders including country markets profiles, key contacts of companies engaged in commerce, as well as available trade opportunities at the Arab regional level, in addition to other information relating to Arab trade. The services of IATIN are made available through ATFP's web site at www.atfp.org.ae as well as through conventional telecommunication facilities including telephone, e-mail and ordinary mail. ATFP endeavours to maintain and upgrade IATIN as an updated online Arab market directory for the benefit of those involved in trading activities in the Arab region.

ATFP is also active in organizing and executing buyers/sellers meetings in sectors that demonstrate a potential for trade growth. The meetings are based on a process of matchmaking of exporters and importers dealing in the same products for bilateral meetings where possibilities of trade exchange, investment, and regional marketing alliances are discussed. The meetings also help informing participants of ATFP's financing capabilities, and the credit facilities made available through its National Agencies.

Based on statistical trade flow analysis, a number of key sectors with a potential for trade growth in the Arab countries have been identified and are the object of ATFP's focus for the buyers/sellers meetings. These sectors include textiles, food industries, metal industries, pharmaceuticals, chemicals & petrochemicals, building materials, furniture, plastic industries and agricultural inputs products.



Inter-Arab Trade Information Network & Trade Promotion

The Arab Trade Financing Program continued in 2009 its efforts to update and enhance the database of the Intra-Arab Trade Information Network (IATIN) provided online through its web site on the Internet. In this connection, ATFP updated and added 600 trade leads on the Arab Business Opportunities database for access by potential interested trading partners. It is worth noting that the number of browsers of trade leads and business opportunities on ATFP's website represents 40% of the average of the total monthly visitors to the site (approximately 45,000). Furthermore, ATFP uploaded its website with the updated versions of the Market Profile of Lebanon and Kuwait in cooperation with the appointed focal points in those countries.

The screenshot displays the 'Inquiry / Reply Service' form on the Arab Trade Financing Program website. The form is titled 'Inquiry / Reply Service' and is located on a page with a blue header and a navigation menu on the left. The navigation menu includes links for 'ATFP Highlights', 'Financing Services', 'Trade Information', 'Trade Promotions', 'National Agencies', 'Focal Points', 'Useful Links', 'Vacancies', and 'Contact Us'. The form fields are as follows:

- Co. Name : [Text Field]
- Address : [Text Field]
- P.O. Box : [Text Field]
- City : [Text Field]
- Country : [Dropdown Menu]
- Postal Code : [Text Field]
- Other, Please Specify: [Text Field]
- Tel : [Text Field]
- City Code : [Text Field]
- Exit : [Text Field]
- Tel 2: [Text Field]
- Fax : [Text Field]
- Fax 2: [Text Field]
- E-Mail : [Text Field]
- Contact : [Dropdown Menu]
- Title : [Text Field]
- Subject : [Text Field]
- Inquiry : [Text Field]

At the bottom of the form, there are 'Submit' and 'Reset' buttons. The browser's address bar shows 'http://www.atfp.org.ae/' and the system tray at the bottom indicates the time as 2:46 PM on 2/11/2009.

As for Arab foreign statistics, ATFP website has been updated with the statistical data published by the Arab Monetary Fund (AMF). Thus, expanding the available statistical database classified by SITC classification to cover the period (2004-2007) in addition to the statistical data published by the International Trade Centre (ITC) for the period (2004-2008) classified according to the HS classification system.



Trade Promotion

During 2008, the Program carried out several activities that aimed at familiarizing the Arab trader with ATFP's services. In this connection, ATFP participated in several workshops and seminars held in Arab states in cooperation with regional and international institutions engaged in trade financing and trade promotion, with an objective to contribute to the development of Arab trade.

Within the context of its trade promotion activity, ATFP organized during 31 June- 1 May 2009 a Buyers/Sellers meeting for Arab companies engaged in the pharmaceutical sector. The meeting was held in Cairo, Egypt in cooperation with the International Trade Point of Egypt (EITP) and the Export Development Bank of Egypt (EDBE). The event was attended by 26 Arab companies and establishments dealing in the pharmaceutical sector in addition to 4 banks appointed as National Agencies



of ATFP in the Arab countries. The meeting was the 3rd organized by ATFP in the pharmaceutical sector, and the 16th in the series of Buyers/Sellers meetings organized by ATFP in the Arab countries. During the event, 207 bilateral meetings took place between the participating importers and exporters based on a matchmaking process. This paved the way for a number of deals and trade exchanges between

the participating companies. The meeting was also an opportunity for participants to be acquainted with the financing facilities provided by the participating National Agencies and ATFP.





FINANCIAL STATEMENTS AND AUDITORS' REPORT

• Independent Auditor's Report	21
• Statement of Financial Position	22
• Income Statement	23
• Statements of Comprehensive Income & Changes in Shareholders' Equity	24
• Statement of Cash Flows	25
• Notes to the Financial Statements	26 - 34

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ARAB TRADE FINANCING PROGRAM

Report on the Financial Statements

We have audited the accompanying financial statements of Arab Trade Financing Program ("The Program"), which comprise the statement of financial position as at 31 December 2009, and the income statement, statements of comprehensive income and changes in shareholders' equity, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and 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 auditors' 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 internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Program as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We also confirm that, in our opinion, proper books of account have been kept by the Program. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the articles of association of the Program have occurred during the year which would have had a material effect on the business of the Program or on its financial position.



3 March 2010
Abu Dhabi

Arab Trade Financing Program

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 US \$ 000	2008 US \$ 000
ASSETS			
Current and call accounts with banks		1,247	2,688
Deposits with banks		110,275	146,565
Financial investments	3	176,158	200,891
Interest receivable and other debtors	4	8,821	6,064
Lines of credit	5	512,100	415,661
Fixed assets		43	86
Total assets		808,644	771,955
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable and accruals	6	27,515	3,074
SHAREHOLDERS' EQUITY			
Share capital	8	500,000	500,000
Treasury shares	8	(7,925)	(7,925)
Share premium	8	3,669	3,669
Reserves	8	250,723	237,032
Retained earnings	8	34,662	36,105
Total shareholders' equity		781,129	768,881
Total liabilities and shareholders' equity		808,644	771,955



Dr. Jassim Al-Mannai
CHIEF EXECUTIVE CHAIRMAN OF THE BOARD

These financial statements were approved by the Board of Directors on 3 March 2010.

The attached notes 1 to 14 form an integral part of these financial statements.
The independent auditors' report is set out on page 1.

Arab Trade Financing Program

INCOME STATEMENT

Year ended 31 December 2009

	<i>Notes</i>	<i>2009</i> <i>US \$ 000</i>	<i>2008</i> <i>US \$ 000</i>
INCOME			
Interest income and fees on lines of credit		8,755	18,047
Interest income on deposits with banks		6,012	4,147
Financial investments income	10	828	(4,839)
Other income		11	9
		15,606	17,364
EXPENSES			
Management and staff expenses	11	2,474	2,499
General and administration expenses		498	430
Administrative, investment management and consultancy services fees	11	556	554
		3,528	3,483
NET INCOME		12,078	13,881

The attached notes 1 to 14 form an integral part of these financial statements.
The independent auditors' report is set out on page 1.

Arab Trade Financing Program

STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN SHAREHOLDERS' EQUITY Year ended 31 December 2009

	No. of issued shares	Treasury shares	Issued and fully paid capital	Treasury shares	Share premium	Special reserve	General reserve	Revaluation of available for sale investments	Retained earnings	Total
US \$ 000										
2008										
Comprehensive Income										
Net income for the year	-	-	-	-	-	-	-	-	13,881	13,881
Changes in fair value of available for sale investments	-	-	-	-	-	-	-	(12,594)	-	(12,594)
								(12,594)	13,881	1,287
Changes in Shareholders' equity										
Balance at 1 January 2008	100000	(1585)	500,000	(7,925)	3,669	67,480	171,499	(1,141)	56,155	789,737
Cash dividend related to 2007	-	-	-	-	-	-	-	-	(22,143)	(22,143)
Transfer to general reserve related to 2007	-	-	-	-	-	-	9,012	-	(9,012)	-
Transfer to special reserve	-	-	-	-	-	1,388	-	-	(1,388)	-
Transfer to general reserve	-	-	-	-	-	-	1,388	-	(1,388)	-
Balance at 31 December 2008	100000	(1585)	500,000	(7,925)	3,669	68,868	181,899	(13,735)	36,105	768,881
2009										
Comprehensive Income										
Net income for the year	-	-	-	-	-	-	-	-	12,078	12,078
Changes in fair value of available for sale investments	-	-	-	-	-	-	-	7,551	-	7,551
								7,551	12,078	19,629
Changes in Shareholders' equity										
Balance at 1 January 2009	100000	(1585)	500,000	(7,925)	3,669	68,868	181,899	(13,735)	36,105	768,881
Cash dividend related to 2008	-	-	-	-	-	-	-	-	(7,381)	(7,381)
Transfer to general reserve related to 2008	-	-	-	-	-	-	3,724	-	(3,724)	-
Transfer to special reserve	-	-	-	-	-	1,208	-	-	(1,208)	-
Transfer to general reserve	-	-	-	-	-	-	1,208	-	(1,208)	-
Balance at 31 December 2009	100000	(1585)	500,000	(7,925)	3,669	70,076	186,831	(6,184)	34,662	781,129

The attached notes 1 to 14 form an integral part of these financial statements.
The independent auditors' report is set out on page 1.

Arab Trade Financing Program

STATEMENT OF CASH FLOWS

Year Ended 31 December 2009

	2009	2008
Note	US \$ 000	US \$ 000
Operating activities		
Net income	12,078	13,881
Adjustments for:		
Depreciation	50	49
Interest income on held to maturity investments	(3,487)	(1,273)
Interest income on available for sale investments	(1,449)	(162)
Loss (income) from sale of available for sale investments	4,135	(871)
Loss from investments at fair value through income statement	-	7,144
Amortisation of premium on held to maturity investments	1,047	328
Operating income before changes in assets and liabilities used in operations	12,374	19,096
Draw-downs on lines of credit	(775,974)	(774,200)
Repayment of lines of credit	679,535	844,010
Increase in deposits with banks maturing after 3 months from date of placement	(33,624)	(35,474)
(Increase) decrease in interest accrued and other receivables	(1,704)	1,262
Increase (decrease) in accounts payable and accruals	24,441	(26,037)
Net cash (used in) provided by operations	(94,952)	28,657
Investing activities		
Interest received on held to maturity investments	2,521	1,339
Purchase of held to maturity investments	(93,195)	(202,245)
Maturity of held to maturity investments	103,000	145,000
Interest received from available for sale investments	1,362	1,251
Net proceeds from dealing in available for sale investments	17,297	105,936
Maturity of financial investments at fair value through income statement	-	23,659
Purchase of fixed assets	(7)	(19)
Net cash provided by investing activities	30,978	74,921
Financing activities		
Dividends paid	(7,381)	(22,143)
Net cash used in financing activities	(7,381)	(22,143)
Net (decrease)/ increase in cash and cash equivalents	(71,355)	81,435
Cash and cash equivalents at the beginning of the year	98,803	17,368
Cash and cash equivalents at the end of the year	9	98,803

The attached notes 1 to 14 form an integral part of these financial statements.
The independent auditors' report is set out on page 1.

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

1 ACTIVITIES OF THE PROGRAM

The Arab Trade Financing Program was established in accordance with resolution No. 4/1989 by the Board of Governors of the Arab Monetary Fund. The Arab Monetary Fund and the Arab Fund for Economic and Social Development hold 56% and 22% respectively, of the issued and fully paid up capital. The Program aims to promote and develop Arab trade and to enhance the competitive ability of Arab exporters. This is achieved by providing financing in the form of lines of credit to exporters and importers in member countries through national agencies appointed by the Central Bank or other concerned authorities in Arab countries. The Program has its headquarter in Abu Dhabi, United Arab Emirates.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards including International Accounting Standards (IAS) and interpretations issued by International Accounting Standards Board (IASB).

(a) Accounting convention

The financial statements are prepared under the historical cost convention except for foreign exchange forward contracts and debt securities & money market instruments, classified as available for sale investments, are valued at market and the financial investments in alternative strategies which are valued at net assets value.

The financial statements include estimates that is reflected through the application of accounting policies and the amounts included within the assets, liabilities, income and expenses. These estimates and assumptions are subject to periodic assessment, the results are recognized in the same period.

These financial statements have been prepared in US Dollars, being the base currency used in the Program.

(b) Changes in Accounting Policies

The accounting policies are consistent with those used in previous years, in addition to adopting the new and amended International Financial Reporting Standards (IFRS) that are applicable with effect from 1st January, 2009. These require incorporating further disclosures and added "statement of comprehensive income". As a result of these changes, there has been no any significant impact on the Program's performance or its financial position.

(c) Financial investments

Purchase and sale of financial investments are recognised and categorized based on the different classes using trade date accounting.

Available for sale investments are re-valued according to its nature, whereby debt securities and money market instruments are valued to their market value. Investments in alternative strategies are valued at net asset value. Arising valuation differences are recognised in "changes in fair value of available for sale investments" as a component of shareholders' equity. Gains or losses arising from the sale of such investments or from any permanent impairment are recognized in the income statement.

Financial investments at fair value through income statement are valued based on net assets value, which represents fair value. The change in the net assets value is recognised in the income statement.

Held to maturity investments are stated at cost adjusted for any premium or discount on their purchase and less provision for any impairment. Premiums and discounts are amortised from date of purchase to date of maturity using the effective "interest rate method".

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

2 SIGNIFICANT ACCOUNTING POLICIES continued

(d) Lines of credit, deposits with banks and other financial assets

Lines of credit represent the outstanding balance of funds disbursed to national agencies to finance eligible trade transactions governed by rules & procedures and the line of credit agreement. These are valued at historical cost at the date of disbursement, repayments by instalments are according to agreed set dates.

Deposits with banks and other financial assets are valued historical cost, being the fair value.

(e) value of financial assets

The value of the financial assets are assessed periodically to determine whether there is an objective evidence of a permanent decline in its value. In case an objective evidence exists that the financial asset is impaired, the estimated recoverable amount of that financial asset is determined, and any impairment loss, representing the difference between the recoverable amount and the carrying value, is recognized in the income statement.

(f) Foreign currencies

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the year end. Forward foreign exchange contracts entered into to hedge assets denominated in foreign currencies are valued at market rates applicable to their respective maturities. Any resulting gains or losses are taken to the income statement.

Fixed assets are recorded at historical rates of exchange.

(g) Repurchase agreements of financial investments

In accordance with the repurchase agreements, sold investments continue to be recognized within assets as initially classified, and valued according to the applicable accounting policy. Proceeds received are included in liabilities. The agreement sets up the applicable interest rate, and interest is recognised on accrual basis taking account of the period to maturity of the deal.

(h) Employees' terminal benefits

Provision is made for amounts payable under the Program's policy applicable to employees' accumulated periods of service.

(i) Depreciation

Fixed assets are depreciated on monthly equal instalments over their expected useful lives.

(j) Revenue recognition

Interest receivable is recognised on accrual basis taking into account of the principal outstanding and the rate applicable.

(k) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of current and call accounts with banks and deposits with banks maturing within three months from placement date.

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

3 FINANCIAL INVESTMENTS

	<i>2009</i> <i>US \$ 000</i>	<i>2008</i> <i>US \$ 000</i>
Available for sale investments	95,092	108,973
Held to maturity investments	<u>81,066</u>	<u>91,918</u>
	<u>176,158</u>	<u>200,891</u>

Available for sale investments comprise of debt securities and money market instruments and investments in alternative strategies funds.

In accordance with the IASB amendments to IAS (39) and IFRS (7) issued on 13 October 2008, due to the global financial crisis that is considered a rare circumstance, investment in alternative strategy funds were reclassified from investments at fair value through income statement on 1st August 2008 into available for sale investments at fair value as at the date of reclassification.

The market value of investments held to maturity as at 31 December 2009 was US\$ 83.71 million (2008: US\$ 90.29 million).

4 INTEREST RECEIVABLE AND OTHER DEBTORS

	<i>2009</i> <i>US \$ 000</i>	<i>2008</i> <i>US \$ 000</i>
Interest receivable	4,652	5,541
Prepaid expenses and other receivables	<u>4,169</u>	<u>523</u>
	<u>8,821</u>	<u>6,064</u>

5 LINES OF CREDIT

	<i>2009</i> <i>US \$ 000</i>	<i>2008</i> <i>US \$ 000</i>
Balance at the beginning of the year	415,661	485,471
Draw-downs	<u>775,974</u>	<u>774,200</u>
	1,191,635	1,259,671
Repayments	<u>(679,535)</u>	<u>(844,010)</u>
Balance at the end of the year	<u>512,100</u>	<u>415,661</u>

The unutilised balances of lines of credit and allocations as at 31 December 2009 amounted to US\$ 38 thousand (2008: US\$ 769 thousand).

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

6 ACCOUNTS PAYABLE AND ACCRUALS

	<i>2009</i> <i>US \$ 000</i>	<i>2008</i> <i>US \$ 000</i>
Accounts payable and accruals	3,320	2,968
Revaluation provision for forward foreign exchange contracts	-	106
Repurchase agreements of financial investments	<u>24,195</u>	<u>-</u>
	<u>27,515</u>	<u>3,074</u>

7 MANAGED FUNDS

Funds managed by external portfolio managers are distributed as follows:

	<i>2009</i> <i>US \$ million</i>	<i>2008</i> <i>US \$ million</i>
Deposits with banks	3	3
Financial investments	95	109
Interest receivable and other balances	<u>2</u>	<u>(1)</u>
	<u>100</u>	<u>111</u>

In addition to monitoring the performance of external fund managers of the Program, the Arab Monetary Fund manages surplus funds arising from trade financing activities, which amounted to US\$ 170 million at 31 December 2009 (2008: US\$240 million).

8 SHAREHOLDERS' EQUITY

The authorised share capital of US\$ 500 million consists of 100,000 shares at a par value of US\$ 5,000 per share. Treasury shares represent the Program's purchase of its own shares, in accordance with Article 48 of the Program's Articles of Association. Treasury shares which have not been reissued to shareholders are carried at par value. Treasury shares do not carry the right to dividends.

Share premium represents the difference between the par value of re-issued shares and the price per share determined on the basis of book value per share as at the date of re-issue.

In accordance with article number 15 of the Program's article of association, not less than 10% of the annual net income is transferred to a General Reserve.

In accordance with the Annual General Assembly resolution number 3/1996, dated 17 April 1996, allocation to the Special Reserve will be 10% of the annual net income, after allocating the minimum annual transfer required to the General Reserve. Allocation will cease when the Special Reserve balance reaches 25% of the paid up capital. This reserve is not available for distribution.

In accordance with resolution number 3/2009, dated 8 April 2009, of the Annual General Meeting of the shareholders, a cash dividend of US\$ 7,381 thousand (2008 : US\$ 22,143 thousand) was distributed, on 30 June 2009, to the shareholders of record at 31 December 2008, which represents a dividend of US\$ 75 per share. The remaining Net Income balance of US\$3,724 thousand was transferred to the General Reserve.

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

9 CASH AND CASH EQUIVALENTS

	<i>2009</i>	<i>2008</i>
	<i>US \$ 000</i>	<i>US \$ 000</i>
Current and call accounts with banks	1,247	2,688
Deposits with banks	110,275	146,565
Deposits with banks maturing after three months from placement date	<u>(84,074)</u>	<u>(50,450)</u>
	<u>27,448</u>	<u>98,803</u>

10 FINANCIAL INVESTMENTS INCOME

	<i>2009</i>	<i>2008</i>
	<i>US \$ 000</i>	<i>US \$ 000</i>
Income from available for sale investments	(2,659)	1,032
Income from financial investments at fair value through income statement	-	(7,144)
Income from held to maturity investments	<u>3,487</u>	<u>1,273</u>
	<u>828</u>	<u>(4,839)</u>

11 ADMINISTRATIVE, INVESTMENT MANAGEMENT AND CONSULTANCY SERVICES FEES

In addition to the work handled by the Program's personnel, 25 employees (2008: 24 employees), the Program in its ordinary course of business receives specialised services from the Arab Monetary Fund and external fund managers. Expenses, in the income statement for the year ended 31 December 2009, include an amount of US\$ 340 thousand being remuneration and expenses of key management personnel (2008: US\$ 196 thousand).

The cost of administrative and investment management services provided by the Arab Monetary Fund amounted to US\$ 447 thousand (2008: US\$ 416 thousand). The fees and terms of payment relating to these services have been approved by the Board of Directors.

12 DERIVATIVE FINANCIAL INSTRUMENTS

As specified in the investment guidelines, the external fund managers use forward foreign exchange contracts, to hedge the risks associated with foreign currency fluctuations relating to deposits and financial investments, within the limits illustrated in the investment policy.

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

13 FINANCIAL INSTRUMENTS

(a) Interest rate risk management

The Program is not excessively exposed to interest rate risk and it seeks to limit its exposures by regular repricing of its lines of credit and the use of duration management techniques for its available for sale and held to maturity investment portfolios.

The following sensitivity test table demonstrates the extent of the impact on the shareholders' equity and the income statement, for a change of 25 basis points (bps) in the interest rate with all other variables held constant.

	<u>Change in</u> <u>bps</u>	<u>2009</u>	<u>2008</u>
		<u>US \$ 000</u>	
<u>Impact on Shareholders' Equity</u>	25+	(430)	(493)
	25-	430	493
<u>Impact on the income statement</u>	25+	1,559	1,412
	25-	(1,559)	(1,412)

(b) Credit risk

For all classes of financial instruments, the maximum credit risk exposure to the Program is the carrying value as disclosed in the financial statements.

Investments of the Program comprise of deposits with banks, highly rated government and corporate securities and investments in alternative strategies funds. The geographical distribution of these investments is as follows:

	<u>2009</u> <u>US \$ 000</u>	<u>2008</u> <u>US \$ 000</u>
Arab Countries	147,433	130,119
Europe	114,956	187,396
North America	10,487	23,001
Far East and Pacific	14,298	9,628
Supranational organizations	506	-
	<u>287,680</u>	<u>350,144</u>

Lines of credit are extended by the program to provide financing to Arab exporters and importers with a view to promoting and developing intra Arab trade in line with the Program's mandate.

The Program seeks to contain its exposure to credit risk relating to its trade financing activities through the implementation of policies and procedures that are designed to maintain the exposures within pre-defined limits. These limits have been set on the basis of the types of risks and the credit rating of the counter party, and hence the Program is in the opinion that the possibility of a credit loss is remote.

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

13 FINANCIAL INSTRUMENTS continued

(c) Liquidity Risks

There is no material obligation associated with financial liabilities. Therefore, there is no risk that could arise from the need of funds to meet such obligation. Also, the management has diversified the components and the duration of the assets, taking into consideration the liquidity requirements and maintaining a sufficient balance of cash, cash equivalent and marketable securities.

The table below summarises the maturities of the Program's financial assets and liabilities:

At 31 December 2009

	<i>Total</i>	<i>Less than one month</i>	<i>1 to 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Unspecified maturity</i>
-----US \$ 000-----							
Assets							
Current and call accounts with banks	1,247	1,247	-	-	-	-	-
Deposits with banks	110,275	74,255	29,676	6,344	-	-	-
Available for sale investments	95,092	95,092	-	-	-	-	-
Held to maturity investments	81,066	5,000	6,040	12,236	53,810	3,980	-
Interest receivable and other debtors	8,821	5,799	2,222	120	-	-	680
Lines of credits	512,100	73,238	304,967	77,880	56,015	-	-
Fixed assets	43	-	-	-	-	-	43
	808,644	254,631	342,905	96,580	109,825	3,980	723
	808,644	254,631	342,905	96,580	109,825	3,980	723
Liabilities and shareholders' equity							
Accounts payable and accruals	27,515	25,029	-	-	-	-	2,486
Shareholders' equity	781,129	-	-	-	-	-	781,129
	808,644	25,029	-	-	-	-	783,615
	808,644	25,029	-	-	-	-	783,615

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

13 FINANCIAL INSTRUMENTS continued

At 31 December 2008

	<i>Total</i>	<i>Less than one month</i>	<i>1 to 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Unspecified maturity</i>
-----US \$ 000-----							
Assets							
Current and call accounts with banks	2,688	2,688	-	-	-	-	-
Deposits with banks	146,565	58,784	50,095	37,686	-	-	-
Available for sale investments	108,973	108,973	-	-	-	-	-
Held to maturity investments	91,918	49,952	22,961	-	14,013	4,992	-
Interest receivable and other her debtors	6,064	2,526	2,600	415	-	-	523
Lines of credits	415,661	117,469	243,114	24,721	30,357	-	-
Fixed assets	86	-	-	-	-	-	86
	771,955	340,392	318,770	62,822	44,370	4,992	609
	771,955	340,392	318,770	62,822	44,370	4,992	609
Liabilities and shareholders' equity							
Accounts payable and accruals	3,074	855	-	-	-	-	2,219
Shareholders' equity	768,881	-	-	-	-	-	768,881
	771,955	855	-	-	-	-	771,100
	771,955	855	-	-	-	-	771,100

(d) Capital management

Capital is managed in a manner that will achieve the Program's main objective, as stipulated in the Articles of Association. The process involves diversification in the assets composition that will generate revenues, that will provide support to the financial position through allocations to reserves, thus to expand on the activity, and distribute the remaining balance to shareholders in the form of cash dividends. The capital base is composed of share capital, reserves and retained earnings, the details of which are shown on page (2) within the statement of financial position.

(e) Currency risk

The Program manages its currency risk by lending in US dollars and hedging its deposits and investments denominated in foreign currency through the use of forward foreign exchange contracts.

Forward foreign exchange contracts entered into to hedge investments and deposits denominated in foreign currencies at 31 December 2009 amounted to US\$ 69.10 million (2008: US\$ 60.70 million).

Arab Trade Financing Program

NOTES TO THE FINANCIAL STATEMENTS

31 December 2009

13 FINANCIAL INSTRUMENTS continued

(f) *Fair value*

The fair values of the Program's financial assets and liabilities approximate the values reflected in the financial statements. The fair values of the financial assets is determined in accordance with the applied accounting policies as follows:-

<u>Assets</u>	<u>Fair Value Determination</u>
- Deposits with banks	- cost
- Financial investments:-	
- Available for sale:-	
• Debt securities	• Market value
• Alternative strategies	• Net asset value
- Held to maturity	- Cost adjusted by premium or discount
- Lines of credit	- cost
- Other financial assets	- cost

14 SUBSEQUENT EVENTS

The Board of directors resolved in its meeting held on 3 March 2010 to propose to the twenty first General Assembly, scheduled to be held on 1 April 2010, the distribution of a cash dividend of US\$ 50 per share to the shareholders of record at 31 December 2009, and to transfer the remaining net income balance for the year 2009 to the general reserve



SHAREHOLDERS

Arab Monetary Fund	Abu Dhabi
Arab Fund for Economic and Social Development	Kuwait
Banque d'Algerie	Algiers
Arab Banking Corporation (BSC)	Manama
Central Bank of Libya	Tripoli
Central Bank of Egypt (On behalf of Egyptian banks)	Cairo
Gulf International Bank	Manama
Arab Authority for Agricultural Investment and Development	Khartoum
The Arab Investment Company	Riyadh
Central Bank of Yemen	Sana'a
The Inter-Arab Investment Guarantee Corporation	Kuwait
Commercial Bank of Syria	Damascus
Banque Centrale de Tunisie	Tunis
Bank Almaghrib	Rabat
Libyan Foreign Bank	Tripoli
El Nilein Bank Group for Industrial Development	Khartoum
Banque de L'Agriculture et du Developpement Rural	Algiers
Banque Nationale d'Algerie	Algiers
Banque Exterieur d'Algerie	Algiers
Credit Populaire d'Algerie	Algiers
Banque de Developpment Local	Algiers
Rasheed Bank	Baghdad
Rafidain Bank	Baghdad
Riyad Bank	Riyadh
Union National Bank	Abu Dhabi
Arab International Bank	Cairo
Jordan Dubai Islamic bank (Industrial Development Bank-formerly)	Amman
Saudi American Bank	Riyadh
Tunis International Bank	Tunis
Arab Bank Limited (Abu Dhabi Branch)	Abu Dhabi
National Commercial Bank	Jeddah
Al Ahli Bank of Kuwait KSC	Kuwait
Banque Marocaine du Commerce Exterieur	Casablanca
Commercial Bank of Kuwait	Kuwait
National Bank of Kuwait	Kuwait
The Bank of Kuwait & The Middle East	Kuwait
Arab African International Bank	Cairo
Banque Centrale Populaire	Casablanca
National Bank of Dubai	Dubai
Byblos Bank S.A.L.	Beirut
Credit Libanaise S.A.L.	Beirut
Arab Investment Bank	Cairo
Qatar National Bank	Doha
Bank of Beirut	Beirut
Fransabank	Beirut
Banque Audi	Beirut
Capital Bank of Jordan	Amman
Banque Libanese pour le Commerce	Beirut
Union de Banques Arabes et Francaises (UBAF)	Paris - France



NATIONAL AGENCIES

JORDAN

Jordan Dubai Islamic Bank
(formerly Industrial Development Bank).
Arab Bank P.L.C.
Arab Banking Corporation (Jordan)
Central Bank of Jordan
The Housing Bank for Trade & Finance
Bank of Jordan
Capital Bank of Jordan
Jordan Investment and Finance Bank
Jordan Ahli Bank
Jordan Kuwait Bank
Egyptian Arab Land Bank
Jordan Commercial Bank
Cairo Amman Bank
Ministry of Finance

U.A.E.

Emirates Industrial Bank
Emirates Bank International Ltd.
National Bank of Dubai
First Gulf Bank
El-Nilein Bank – Abu Dhabi
Banque du Caire (Gulf Branches Regional Office)
Mashreq Bank
Union National Bank
Arab Bank – Abu Dhabi
Abu Dhabi Commercial Bank
Banque Libanaise pour le commerce (France)
Citibank – Dubai
Al Ahli Bank of Kuwait KSC - Dubai
National Bank of Abu Dhabi
Abu Dhabi Islamic Bank
National Bank of Fujairah P.S.C.
Bank of Baroda
Bank of Sharjah
Commercial Bank of Dubai

BAHRAIN

National Bank of Bahrain BSC
Bahrain Development Bank B.S.C.
Arab Banking Corporation (B.S.C.)
The Arab Investment Company (S.A.A.) (OBU)
Bank of Bahrain And Kuwait (B.S.C.)
Al-Ahli United Bank (B.S.C.)
Gulf International Bank (B.S.C.)
United Gulf Bank B.S.C.
International Banking Corporation B.S.C.
Al Baraka Banking Group
Bahrain Islamic Bank
ICICI Bank Limited (Bahrain Branch)
Elaf Bank



ARAB TRADE FINANCING PROGRAM ANNUAL REPORT 2009

TUNISIA

Banque Centrale De Tunisie
Societe Tunisienne De Banque
Banque Internationale Arabe De Tunisie
Banque Nationale Agricole
Arab Tunisian Bank
Amen Bank
Banque du Sud
Arab Banking Corporation (Tunisie)

ALGERIA

Banque de l'Agriculture et du Developpment Rural
Banque Nationale d'Algerie
Banque Exterieur d'Algerie
Credit Populaire d'Algerie
Banque de Developpment Local
Arab Banking Corporation (Algeria)

SAUDI ARABIA

The Saudi Investment Bank
Riyad Bank
The National Commercial Bank
Arab Petroleum Investment Corporation (APICORP)
Bank Al-Jazira
International Islamic Trade Finance Corporation (ITFC)

SUDAN

El Nilein Bank
Omdurman National Bank
Animal Resources Bank
Sudanese French Bank
Saving & Social Development Bank
Financial Investment Bank
Workers National Bank
Islamic Co-operative Development Bank
Al Baraka Bank Sudan
Byblos Bank Africa
Arab Authority for Agriculture Investment and Development
United Capital Bank
National Agency for Insurance & Finance of Exports
AL Salam Bank – Sudan
Al Jazeera Sudanese Jordanian Bank
Bank of Khartoum
The Central Bank of Sudan

SYRIA

Commercial Bank of Syria
International Bank for Trade and Finance
Byblos Bank Syria S.A.L.
Arab Bank Syria S.A.L.
Audi Bank – Syria S.A.L.

IRAQ

Rafidain Bank
Rasheed Bank
Trade Bank of Iraq
Commercial Bank of Iraq
Kurdistan International Bank for Investment
and Development



OMAN

National Bank of Oman (S.A.O.G.)
Oman Development Bank (S.A.O.G.)
Bank Muscat (S.A.O.G.)
Bank Dhofar (S.A.O.G.)
Oman International Bank (S.A.O.G.)
Oman Arab Bank (S.A.O.G.)
Bank Sohar (S.A.O.G.)
Ahli Bank (S.A.O.G.)

QATAR

Al Ahli Bank Q.S.C.
The Commercial Bank of Qatar Q.S.C.
Doha Bank Q.S.C.
Qatar Development Bank
Qatar National Bank Q.S.C.
Qatar Islamic Bank
Qatar International Islamic Bank

KUWAIT

The Gulf Bank
National Bank of Kuwait
Commercial Bank of Kuwait
The Bank of Kuwait & the Middle East
Burgan Bank
Al Ahli Bank of Kuwait
Boubyan Bank
Kuwait International Bank

LEBANON

Credit Libanais S.A.L.
Banque du Liban et d'Outre-Mer S.A.L.
Byblos Bank S.A.L.
Fransabank S.A.L.
Bank of Beirut S.A.L.
Banque Libano-Francaise S.A.L.
Banque Audi S.A.L. -Audi Saradar Group
Lebanon & Gulf Bank S.A.L.
First National Bank S.A.L.
Jamal Trust Bank S.A.L.
Syrian Lebanese Commercial Bank S.A.L.
Banque du Liban
Ministry of Finance
IBL Bank S.A.L.
Bank Bemo S.A.L.
Societe Generale de Banque au Liban
Lebanese Canadian Bank S.A.L.
Bank of Beirut & the Arab Countries S.A.L.
BLC Bank S.A.L.
Credit Bank S.A.L.
Bank Med S.A.L.
Arab Finance House S.A.L.
Lebanese Islamic Bank S.A.L.
Middle East & Africa Bank S.A.L.
Citibank, N.A.- Lebanon



ARAB TRADE FINANCING PROGRAM
ANNUAL REPORT 2009

LIBYA

Libyan Foreign Bank
Bank of Commerce & Development
The Agricultural Bank

EGYPT

Export Development Bank of Egypt
Banque Misr
National Bank of Egypt
Bank of Alexandria
Misr Iran Development Bank
Commercial International Bank (Egypt)
Arab Banking Corporation – Egypt
National Societe Generale Bank
Arab Investment Bank
Ahli United Bank (Egypt)
National Bank for Development
Suez Canal Bank
Banque du Caire
Societe Arabe International de Banque
Arab African International Bank
Al Watany Bank of Egypt
Central Bank of Egypt
Egyptian Saudi Finance Bank
Banque Audi S.A.E.
Union National Bank-Egypt
Arab International Bank

MOROCCO

Banque Marocaine du Commerce Exterieur
Banque Centrale Populaire
Attijariwafa Bank
Ministry of Economy and Finance
Societe Generale Marocaine de Banques

MAURITANIA

Banque Mauritanienne pour le Commerce International
Bank Nationale de Mauritanie
Generale de Banque de Mauritanie (Investment & Commerce)
Banque pour le Commerce et l'Industrie
Banque Al-Wava Mauritanienne Islamique
Banque Al Amana pour le Developpement et le Logement
Banque Centrale de Mauritanie

YEMEN

The Yemen Bank for Reconstruction And Development
Yemen Commercial Bank
International Bank of Yemen
Arab Bank P.L.C.
The Yemen & Kuwait Bank for Trade & Investment
Tadhamon International Islamic Bank



PALESTINE

Palestine Investment Bank
Al-Quds Bank for Investment & Development
The Arab Bank P.L.C.
Palestinian Banking Corporation

FRANCE

Union de Banques Arabes et Francaises – U.B.A.F.

MALTA

First International Merchant Bank P.L.C.

UNITED KINGDOM

British Arab Commercial Bank
Jordan International Bank P.L.C.

BRAZIL

Banco ABC Brasil S.A.

BELGIUM

Byblos Bank Europe S.A.



ANNUAL REPORT 2009
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