

ARAB BANK GROUP

CONDENSED CONSOLIDATED INTERIM
(Reviewed not Audited)
FINANCIAL INFORMATION
FOR THE THREE-MONTHS PERIOD ENDED
March 31, 2017
TOGETHER WITH REVIEW REPORT ON
INTERIM FINANCIAL INFORMATION

ARAB BANK GROUP
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2017

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Review Report on Condensed Consolidated Interim Financial Information

To the Chairman and Members of the Board of Directors
Arab Bank
Amman – Jordan

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Arab Bank Group as of March 31, 2017, and the related condensed consolidated interim statements of income, comprehensive income, changes in owners' equity and cash flows for the three-months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard IAS (34) relating to Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 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 consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard (34) relating to interim financial reporting.

Other Matters

The consolidated financial statements for the year ended December 31, 2016 and the condensed consolidated interim financial statements for the period ended March 31, 2016 were audited and reviewed respectively by Deloitte & Touche (Middle East) – Jordan as the sole auditor of the Bank for the year 2016. Unqualified opinion and unqualified conclusion were issued on these financial statements on January 29, 2017 and April 28, 2016 respectively. Ernst & Young - Jordan and Deloitte & Touche (Middle East) – Jordan were appointed as joint auditors of the Bank for the year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.

Additional Statement

We refer to disclosure number (32) in the attached condensed consolidated interim financial statements in relation to the lawsuit filed against the Bank in the United States of America in 2004. This has no impact on our conclusion above.

The fiscal year of the Group ends on December 31 of each year. However, the accompanying condensed consolidated interim financial information have been prepared in accordance with the instructions of Listing Securities on Amman Stock Exchange and for Management purposes only, and do not require the approval of Central Bank of Jordan.

Amman – Jordan
April 27, 2017



Ernst & Young – Jordan

Deloitte & Touche (M.E.)
Public Accountants

Amman - Jordan
Deloitte & Touche (Middle East) - Jordan

ARAB BANK GROUP
CONDENSED CONSOLIDATED INTERIM
STATEMENT OF FINANCIAL POSITION

	Note	March 31, 2017 (Reviewed not Audited)	December 31, 2016
ASSETS		USD '000	USD '000
Cash and balances with central banks	4	6 924 048	7 809 343
Balances with banks and financial institutions	5	4 013 473	4 622 181
Deposits with banks and financial institutions	6	207 518	176 118
Financial assets at fair value through profit or loss	7	633 847	698 516
Financial derivatives - positive fair value		32 923	58 011
Direct credit facilities at amortized cost	9	22 556 268	21 898 121
Financial assets at fair value through other comprehensive income	8	498 357	470 912
Other financial assets at amortized cost	10	8 039 079	7 640 955
Investments in associates		3 147 937	3 077 008
Fixed assets	11	463 169	463 633
Other assets	12	537 767	472 203
Deferred tax assets		76 547	73 390
Total Assets		47 130 933	47 460 391
LIABILITIES AND OWNERS' EQUITY			
Banks and financial institutions' deposits		3 887 440	3 752 999
Customer deposits	13	30 321 767	31 082 152
Cash margin		2 663 852	2 561 426
Financial derivatives - negative fair value		37 675	52 517
Borrowed funds	14	185 010	271 185
Provision for income tax	15	255 623	242 377
Other provisions		262 689	259 795
Other liabilities	16	1 382 592	1 072 128
Deferred tax liabilities		1 181	1 276
Total Liabilities		38 997 829	39 295 855
Share capital	17	926 615	926 615
Share premium	17	1 225 747	1 225 747
Statutory reserve	17	798 443	798 443
Voluntary reserve	17	977 315	977 315
General reserve		1 141 824	1 141 824
General banking risks reserve		363 458	363 458
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		(372 660)	(402 682)
Investment revaluation reserve		(271 057)	(267 672)
Retained earnings	18	1 675 951	1 738 225
Total Equity Attributable to the Shareholders of the Bank		8 006 532	8 042 169
Non-controlling interests		126 572	122 367
Total Owners' Equity		8 133 104	8 164 536
Total Liabilities and Owners' Equity		47 130 933	47 460 391

The accompanying notes from (1) to (33) are an integral part of these condensed consolidated interim financial information and should be read with them.

ARAB BANK GROUP
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

	Note	For the Three-Months	
		Period Ended March 31,	
		2017	2016
		USD '000	USD '000
REVENUE			
Interest income	19	455 570	471 914
<u>Less:</u> interest expense	20	177 578	191 655
Net Interest Income		277 992	280 259
Net commission income	21	76 642	86 068
Net Interest and Commission Income		354 634	366 327
Foreign exchange differences		17 725	14 875
Gain (Loss) from financial assets at fair value through profit or loss	22	3 211	(265)
Dividends on financial assets at fair value through other comprehensive income		4	3 218
Group's share of profits of associates		91 178	88 068
Other revenue	23	16 119	8 984
Total Income		482 871	481 207
EXPENSES			
Employees' expenses		112 215	111 290
Other expenses		62 911	61 889
Depreciation and amortization		11 879	11 928
Provision for impairment - direct credit facilities at amortized cost	9	9 394	8 654
Other provisions		5 378	5 249
Total Expenses		201 777	199 010
Profit for the Period before Income Tax		281 094	282 197
<u>Less:</u> Income tax expense	15	62 888	63 849
Profit for the Period		218 206	218 348
Attributable to :			
- Bank's shareholders		215 663	215 635
- Non-controlling interests		2 543	2 713
Total		218 206	218 348
Earnings per share attributable to the Bank's shareholders			
- Basic and Diluted (US Dollars)	29	0.34	0.34

The accompanying notes from (1) to (33) are an integral part of these condensed consolidated interim financial information and should be read with them.

ARAB BANK GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(REVIEWED NOT AUDITED)

	For the Three-Months	
	Period Ended March 31,	
	2017	2016
	USD '000	USD '000
Profit for the period	218 206	218 348
<u>Add: Other comprehensive income items - after tax</u>		
<u>Items that will be subsequently transferred to the statement of Income</u>		
Exchange differences arising on the translation of foreign operations	31 879	44 402
<u>Items that will not be subsequently transferred to the statement of Income</u>		
Net change in fair value of financial assets at fair value through other comprehensive income	(3 733)	(23 614)
Change in fair value of financial assets at fair value through other comprehensive income	(3 427)	(23 614)
Gain from sale of financial assets at fair value through the statement of comprehensive income	(306)	-
Total Other Comprehensive Income Items - after Tax	28 146	20 788
Total Comprehensive Income for the Period	246 352	239 136
Attributable to :		
- Bank's shareholders	242 147	233 018
- Non-controlling interests	4 205	6 118
Total	246 352	239 136

The accompanying notes from (1) to (33) are an integral part of these condensed consolidated interim financial information and should be read with them.

ARAB BANK GROUP

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY

(REVIEWED, NOT AUDITED)

Note	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Risk Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investment revaluation reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-controlling Interests	Total Owners' Equity
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
For the Three-Months Period Ended March 31, 2017													
	926 615	1 225 747	798 443	977 315	1 141 824	363 458	1 540 896	(402 682)	(267 672)	1 738 225	8 042 169	122 367	8 164 536
	-	-	-	-	-	-	-	-	-	215 663	215 663	2 543	218 206
	-	-	-	-	-	-	-	30 022	(3 538)	-	26 484	1 652	28 146
	-	-	-	-	-	-	-	30 022	(3 538)	215 663	242 147	4 205	246 352
	-	-	-	-	-	-	-	-	153	(1 153)	-	-	-
18	-	-	-	-	-	-	-	-	-	(278 182)	(278 182)	-	(278 182)
	-	-	-	-	-	-	-	-	-	-	-	-	153
	-	-	-	-	-	-	-	-	-	398	398	(1 153)	245
	926 615	1 225 747	798 443	977 315	1 141 824	363 458	1 540 896	(372 660)	(271 057)	1 675 951	8 006 532	126 972	8 133 504
For the Three-Months Period Ended March 31, 2016													
	926 615	1 225 747	753 065	977 315	1 141 824	363 458	1 540 896	(284 609)	(360 621)	1 502 867	7 886 557	129 024	8 015 581
	-	-	-	-	-	-	-	-	-	215 635	215 635	2 713	218 348
	-	-	-	-	-	-	-	40 970	(23 587)	-	17 383	3 405	20 788
	-	-	-	-	-	-	-	40 970	(23 587)	215 635	233 018	6 118	239 136
	-	-	-	-	-	-	-	-	-	(231 277)	(231 277)	-	(231 277)
	-	-	-	-	-	-	-	-	-	(591)	(591)	(418)	(1 009)
	926 615	1 225 747	753 065	977 315	1 141 824	363 458	1 540 896	(243 639)	(284 208)	1 486 634	7 887 707	134 724	8 022 431

The retained earnings include restricted deferred tax assets in the amount of USD 76.5 million, as well as, unrealized gains from financial assets at fair value through profit or loss in the amount of USD 1.8 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances caused by the adoption of certain Accounting Standards amounted to USD 2.7 million as of March 31, 2017.

Retained earnings include an unrealized loss in the amount of USD (109.1) million as of March 31, 2017 due to the effect of the adoption of IFRS (9)

The use of the General Banking Risk Reserve balance is restricted and requires prior approval from the Central Bank of Jordan.

The use of an amount of USD (271.1) million which represents the investment revaluation reserve negative balance is restricted according to the instructions of the Jordan Securities Commission and Central Bank of Jordan as of March 31, 2017.

The accompanying notes from (1) to (33) are an integral part of these condensed consolidated interim financial information and should be read with them.

ARAB BANK GROUP
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

	For the Three-Months	
	Period Ended March 31,	
	2017	2016
Notes	USD '000	USD '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Profit for the period before tax	281 094	282 197
Adjustments for:		
Group's share from associates profits	(91 178)	(88 068)
Depreciation and amortization	11 879	11 928
Provision for impairment - direct credit facilities at amortized cost	9 394	8 654
Net accrued interest	(2 412)	2 193
Dividends on financial assets at fair value through other comprehensive income	(4)	(3 218)
Losses (Gains) from revaluation of financial assets at fair value through profit or loss	(1 848)	1 853
Other provisions	5 378	5 249
Total	212 303	220 788
<u>(Increase) Decrease in Assets:</u>		
Balances with central banks (maturing after 3 months)	(95 270)	(230 052)
Deposits with banks and financial institutions (maturing after 3 months)	(31 400)	(95 782)
Direct credit facilities at amortized cost	(667 541)	(554 274)
Financial assets at fair value through profit or loss	66 517	259 805
Other assets and financial derivatives	(40 702)	(46 970)
<u>Increase (Decrease) in Liabilities:</u>		
Banks' and financial institutions' deposits (maturing after 3 months)	411 793	(435 374)
Customer deposits	(760 385)	69 147
Cash margin	102 426	74 956
Other liabilities and financial derivatives	32 086	(39 469)
Net Cash Flows (Used in) Operating Activities before Income Tax	(770 173)	(777 225)
Income tax paid	(52 932)	(53 566)
Net Cash Flows (Used in) Operating Activities	(823 105)	(830 791)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
(Purchase) of financial assets at fair value through other comprehensive income	(31 178)	(34 618)
Other financial asset at amortized cost	(398 124)	(131 535)
Dividends received from associates	8 460	14 759
Dividends received from financial assets at fair value through other comprehensive income	8	4
(Increase) in fixed assets - net	(11 415)	(9 269)
Net Cash Flows (Used in) Investing Activities	(432 253)	(157 445)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
(Paid) Increase in borrowed funds	(86 175)	146 740
Dividends paid to shareholders	(410)	(319)
Net Cash Flows (Used in) Generated by Financing Activities	(86 585)	146 421
Net (Decrease) in cash and cash equivalent	(1 341 943)	(841 815)
Exchange differences - change in foreign exchange rates	30 022	44 402
Cash and cash equivalent at the beginning of the Year	8 349 838	9 514 915
Cash and Cash Equivalent at the End of the Period	7 037 917	8 717 502

The accompanying notes from (1) to (33) are an integral part of these condensed consolidated interim financial information and should be read with them.

ARAB BANK GROUP
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTHS PERIOD ENDED March 31, 2017
(REVIEWED NOT AUDITED)

1. GENERAL INFORMATION

- Arab Bank was established in 1930, and is registered as a Jordanian public shareholding limited company. The Head Office of the Bank is domiciled in Amman - Hashemite Kingdom of Jordan, and the Bank operates worldwide through its 74 branches in Jordan and 123 branches abroad. Also operates through its subsidiaries and its sister company Arab Bank (Switzerland) limited.
- Arab Bank Plc shares are traded on Amman Stock Exchange.
- The accompanying condensed consolidated interim financial information was approved by the Board of Directors in its meeting Number (3) on April 27, 2017.

2. BASIS OF CONSOLIDATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

- The accompanying condensed consolidated interim financial information of Arab Bank Group, presented in US dollars, comprise the financial information of Arab Bank plc, its sister company Arab Bank (Switzerland) Limited and the following key subsidiaries:

<u>Company Name</u>	<u>Percentage of ownership%</u>		<u>Date of acquisition</u>	<u>Principal Activity</u>	<u>Place of Incorporation</u>	<u>Paid up capital</u>
	<u>March 31, 2017</u>	<u>December 31, 2016</u>				
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 610m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 69.3m
Islamic International Arab Bank plc	100.00	100.00	1997	Banking	Jordan	JD 100m
Arab National Leasing Company LLC	100.00	100.00	1996	Financial Leasing	Jordan	JD 25m
Al-Arabi Investment Group LLC	100.00	100.00	1996	Brokerage and Financial Services	Jordan	JD 14m
Arab Sudanese Bank Limited	100.00	100.00	2008	Banking	Sudan	SDG 117.5m
Al Arabi Investment Group / Palestine	100.00	100.00	2009	Brokerage and Financial Services	Palestine	JD 1.7m
Arab Tunisian Bank	64.24	64.24	1982	Banking	Tunisia	TND 100m
Arab Bank Syria	51.29	51.29	2005	Banking	Syria	SYP 5.05b
Al Nisr Al Arabi Insurance Company	50.00	50.00	2006	Insurance	Jordan	JD 10m