

ARAB BANK GROUP
CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION
(Reviewed not Audited)
FOR THE SIX-MONTHS PERIOD ENDED
JUNE 30, 2017
TOGETHER WITH REVIEW REPORT ON
INTERIM FINANCIAL INFORMATION

ARAB BANK GROUP
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 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 Group
Amman – Jordan

We have reviewed the accompanying condensed consolidated interim financial statements of Arab Bank Group as of 30 June 2017, comprising the condensed consolidated interim statement of financial position as of 30 June 2017 and the related condensed consolidated interim statements of income, comprehensive income, changes in equity, and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 (Interim Financial Reporting). Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the 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 consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Other Matters

We refer to disclosure number (33) 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 consolidated financial statements for the year ended 31 December 2016 and the condensed consolidated interim financial statements for the period ended 30 June 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 29 January 2017 and 21 July 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.

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 Central Bank of Jordan, Jordan Securities Commission and Companies Control Department only.

Amman – Jordan
27 July 2017

Ernst & Young – Jordan



Deloitte & Touche (Middle East) - Jordan



ARAB BANK GROUP
CONDENSED CONSOLIDATED INTERIM
STATEMENT OF FINANCIAL POSITION

		June 30, 2017	December 31, 2016
	Note	(Reviewed not Audited)	(Audited)
ASSETS		USD '000	USD '000
Cash and balances with central banks	4	6 961 427	7 809 343
Balances with banks and financial institutions	5	4 156 112	4 622 181
Deposits with banks and financial institutions	6	227 829	176 118
Financial assets at fair value through profit or loss	7	502 772	698 516
Financial derivatives - positive fair value		39 489	58 011
Direct credit facilities at amortized cost	9	22 798 950	21 898 121
Financial assets at fair value through other comprehensive income	8	477 556	470 912
Other financial assets at amortized cost	10	8 254 175	7 640 955
Investments in associates		3 161 656	3 077 008
Fixed assets	11	464 119	463 633
Other assets	12	551 017	472 203
Deferred tax assets		80 095	73 390
Total Assets		47 675 197	47 460 391
LIABILITIES AND SHAREHOLDERS' EQUITY			
Banks and financial institutions' deposits		3 868 660	3 752 999
Customer's deposits	13	30 770 126	31 082 152
Cash margin		2 682 693	2 561 426
Financial derivatives - negative fair value		67 818	52 517
Borrowed funds	14	210 067	271 185
Provision for income tax	15	218 456	242 377
Other provisions		265 213	259 795
Other liabilities	16	1 242 935	1 072 128
Deferred tax liabilities		1 458	1 276
Total Liabilities		39 327 426	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		377 558	363 458
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		(337 051)	(402 682)
Investments revaluation reserve		(267 377)	(267 672)
Retained earnings	18	1 849 216	1 738 225
Total Equity Attributable to the Shareholders of the Bank		8 233 186	8 042 169
Non-controlling interests		114 585	122 367
Total Shareholders' Equity		8 347 771	8 164 536
Total Liabilities and Shareholders' Equity		47 675 197	47 460 391

The accompanying notes from (1) to (34) 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 Six-Months		For the Three-Months	
		Period Ended June 30,		Period Ended June 30,	
		2017	2016	2017	2016
		USD '000	USD '000	USD '000	USD '000
REVENUE					
Interest income	19	934 981	928 575	479 411	456 661
Less: interest expense	20	368 078	373 806	190 500	182 151
Net Interest Income		566 903	554 769	288 911	274 510
Net commission income	21	154 081	165 147	77 439	79 079
Net Interest and Commission Income		720 984	719 916	366 350	353 589
Foreign exchange differences		38 925	32 217	21 200	17 342
Gain from financial assets at fair value through profit or loss	22	5 325	1 003	2 114	1 268
Dividends from financial assets at fair value through other comprehensive income		6 002	6 302	5 998	3 084
Group's share of profits of associates		189 319	184 413	98 141	96 345
Other revenue	23	26 137	27 904	10 018	18 920
Total Income		986 692	971 755	503 821	490 548
EXPENSES					
Employees' expenses		226 972	221 741	114 757	110 451
Other expenses		128 938	121 253	67 759	61 213
Depreciation and amortization		27 235	27 294	13 624	13 517
Provision for impairment - direct credit facilities at amortized cost	9	46 697	30 213	37 303	21 559
Other provisions		10 023	10 112	4 645	4 863
Total Expenses		439 865	410 613	238 088	211 603
Profit for the Period before Income Tax		546 827	561 142	265 733	278 945
Less: Income tax expense	15	131 609	136 227	68 721	72 378
Profit for the Period		415 218	424 915	197 012	206 567
Attributable to:					
- Bank's shareholders		409 852	418 735	194 189	203 100
- Non-controlling interests		5 366	6 180	2 823	3 467
Total		415 218	424 915	197 012	206 567
Earnings per share attributable to the Bank's shareholders					
- Basic and Diluted (US Dollars)	30	0.64	0.65		

The accompanying notes from (1) to (34) 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 Six-Months		For the Three-Months	
	Period Ended June 30,		Period Ended June 30,	
	2017	2016	2017	2016
	USD '000	USD '000	USD '000	USD '000
Profit for the period	415 218	424 915	197 012	206 567
<u>Add:</u> Other comprehensive income items - after tax				
<u>Items that will be subsequently transferred to the statement of Income</u>				
Exchange differences arising on the translation of foreign operations	60 376	(18 203)	28 497	(62 605)
<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	(1 668)	(31 704)	2 065	(8 090)
Change in fair value of financial assets at fair value through other comprehensive income	28	(30 514)	3 455	(6 900)
(Loss) from sale of financial assets at fair value through the statement of comprehensive income	(1 696)	(1 190)	(1 390)	(1 190)
Total Other Comprehensive Income Items - after Tax	58 708	(49 907)	30 562	(70 695)
Total Comprehensive Income for the Period	473 926	375 008	227 574	135 872
Attributable to :				
- Bank's shareholders	474 235	373 735	232 088	140 717
- Non-controlling interests	(309)	1 273	(4 514)	(4 845)
Total	473 926	375 008	227 574	135 872

The accompanying notes from (1) to (34) 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 SHAREHOLDERS' EQUITY

(REVIEWED NOT AUDITED)

Note	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Reserve Building Risks Reserve	Reserves with Associates	Foreign Currency Translation Reserve	Investments 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 Six-Months Period Ended June 30, 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
	-	-	-	-	-	-	-	-	-	409 852	409 852	5 366	415 218
	-	-	-	-	-	-	-	65 631	(1 248)	-	64 383	(5 675)	58 708
	-	-	-	-	-	-	-	65 631	(1 248)	409 852	474 235	(309)	473 926
	-	-	-	-	-	-	-	-	1 543	(1 543)	-	-	-
	-	-	-	-	-	14 100	-	-	-	(14 100)	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	(278 182)	(278 182)	(5 105)	(283 287)
	-	-	-	-	-	-	-	-	-	(5 056)	(5 056)	(2 215)	(7 251)
	926 615	1 225 747	798 443	977 315	1 141 824	377 558	1 540 896	(337 051)	(267 377)	1 849 216	8 233 186	114 585	8 347 771
For the Six-Months Period Ended June 30, 2016													
	926 615	1 225 747	753 065	977 315	1 141 824	363 458	1 540 896	(284 609)	(260 621)	1 502 867	7 886 557	129 024	8 015 581
	-	-	-	-	-	-	-	-	-	418 735	418 735	6 180	424 915
	-	-	-	-	-	-	-	(18 119)	(26 881)	-	(45 000)	(4 907)	(49 907)
	-	-	-	-	-	-	-	(18 119)	(26 881)	418 735	373 735	1 273	375 008
	-	-	-	-	-	-	-	-	756	(756)	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	(434)	(434)
	-	-	-	-	-	-	-	-	-	(231 277)	(231 277)	(5 607)	(236 884)
	-	-	-	-	-	-	-	-	-	(5 089)	(5 089)	(1 640)	(6 729)
	926 615	1 225 747	753 065	977 315	1 141 824	363 458	1 540 896	(302 728)	(286 746)	1 684 480	8 023 926	122 616	8 146 542

* The retained earnings include restricted deferred tax assets in the amount of USD 80.1 million, as well as, unrealized gains from financial assets at fair value through profit or loss in the amount of USD 2 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances as a result of the adoption of certain Accounting Standards amounted to USD 2.7 million as of June 30, 2017.

* Retained earnings include an unrealized loss in the amount of USD (109.1) million as of June 30, 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 Bank cannot use a restricted amounts of USD (267.4) million which represents the negative investments revaluation reserve in accordance with the instructions of the Jordan Securities Commission and Central Bank of Jordan as of June 30, 2017.

The accompanying notes from (1) to (34) 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)

	Notes	For the Six-Months	
		Period Ended June 30,	
		2017	2016
		USD '000	USD '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit for the period before tax		546 827	561 142
Adjustments for:			
Group's share from associates profits		(189 319)	(184 413)
Depreciation and amortization		27 235	27 294
Provision for impairment - direct credit facilities at amortized cost	9	46 697	30 213
Net accrued interest		12 672	22 899
Dividends on financial assets at fair value through other comprehensive income	8	(6 002)	(6 302)
(Gains) losses from revaluation of financial assets at fair value through profit or loss	22	(1 979)	1 661
Other provisions		10 023	10 112
Total		446 154	462 606
<u>(Increase) Decrease in Assets:</u>			
Balances with central banks (maturing after 3 months)		(136 100)	(19 054)
Deposits with banks and financial institutions (maturing after 3 months)		(51 711)	(910 380)
Direct credit facilities at amortized cost		(947 526)	(373 335)
Financial assets at fair value through profit or loss		197 723	159 503
Other assets and financial derivatives		(54 172)	(24 677)
<u>Increase (Decrease) in Liabilities:</u>			
Banks' and financial institutions' deposits (maturing after 3 months)		225 331	(387 355)
Customer's deposits		(312 026)	(581 052)
Cash margin		121 267	127 875
Other liabilities and financial derivatives		204 511	(464 165)
Net Cash Flows (Used in) Operating Activities before Income Tax		(306 549)	(2 010 034)
Income tax paid		(161 112)	(168 860)
Net Cash Flows (Used in) Operating Activities		(467 661)	(2 178 894)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Purchase) of financial assets at fair value through other comprehensive income		(6 349)	(30 337)
Other financial assets at amortized cost		(613 220)	87 060
(Increase) of investments in associates		(1 878)	(14 000)
Dividends received from associates		44 804	47 894
Dividends received from financial assets at fair value through other comprehensive income	8	6 002	6 302
(Increase) in fixed assets - net		(27 721)	(8 004)
Net Cash Flows (Used in) from Investing Activities		(598 362)	88 915
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Paid) Increase in borrowed funds		(61 118)	138 990
Dividends paid to shareholders		(273 800)	(227 321)
Dividends paid to non-controlling interests		(5 105)	(5 607)
Net Cash Flows (Used in) Financing Activities		(340 023)	(93 938)
Net (Decrease) in cash and cash equivalent		(1 406 046)	(2 183 917)
Exchange differences - change in foreign exchange rates		65 631	(18 119)
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	31	7 009 423	7 312 879

The accompanying notes from (1) to (34) are an integral part of these condensed consolidated interim financial information and should be read with them.