

الرقم : 2778
التاريخ: 2017/5/14

السادة/ بورصة عمان المحترمين
عمان - الأردن

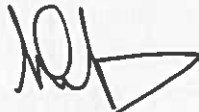
الموضوع : البيانات المالية الربع سنوية باللغة الإنجليزية كما في
2017/3/31

تحية و بعد ،

بالإشارة الى الموضوع أعلاه، نرفق لكم البيانات المالية باللغة الإنجليزية كما في 31 آذار 2017 و المراجعة من قبل السادة إرنست و يونغ. علما بأن البيانات أعلاه لا تتطلب موافقة البنك المركزي عليها بموجب كتابهم رقم 8002/1/10 و المؤرخ في 2004/7/6.

وتفضلوا بقبول فائق الاحترام ،،،

المدير العام
سيمونا ساببلا



نسخة السادة هيئة الأوراق المالية المحترمين

بورصة عمان
الدائرة الإدارية والمالية
الديوان
١٤ أيار ٢٠١٧
الرقم المتسلسل 3055
رقم الملف 11009
الجهة المختصة 10/6/17

ARAB BANKING CORPORATION (JORDAN)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

31 MARCH 2017



Building a better
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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE
BOARD OF DIRECTORS OF
ARAB BANKING CORPORATION (JORDAN)
AMMAN - JORDAN**

We have reviewed the accompanying interim condensed consolidated financial statements of **ARAB BANKING CORPORATION (JORDAN)** (a public shareholding company) and its subsidiary ("the Group") as of 31 March 2017, comprising of the interim consolidated statement of financial position as of 31 March 2017, the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34.

Explanatory Paragraph

The interim condensed consolidated financial statements have been prepared for the purposes of the Jordan Securities Commission and management and do not require the Central Bank of Jordan approval.

Amman – Jordan
23 April 2017

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017
(In Jordanian Dinars)

	Notes	31 March 2017 (Unaudited)	31 December 2016 (Audited)
ASSETS			
Cash and balances with central banks	4	65,840,254	114,640,271
Balances at banks and financial institutions	5	96,342,332	68,264,913
Deposits at banks and financial institutions		3,527,140	28,360,000
Financial assets at fair value through profit or loss	6	781,025	740,488
Direct credit facilities - net	8	555,533,501	551,644,469
Financial assets at amortized cost	7	330,674,574	294,214,604
Property and equipment		11,456,140	11,281,362
Intangible assets		501,232	635,153
Deferred tax assets		445,311	1,012,682
Other assets		47,132,538	42,728,185
Total Assets		1,112,234,047	1,113,522,127
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits		205,602,751	195,866,799
Customers' deposits	9	624,650,118	636,256,465
Margin accounts		48,941,880	49,401,808
Loans and borrowings	10	47,820,420	47,885,178
Sundry provisions		1,602,513	1,658,696
Income tax provision	11	3,129,422	5,176,763
Deferred tax liabilities		1,139	9,050
Other liabilities		20,040,525	20,159,787
Total Liabilities		951,788,768	956,414,546
Equity-			
Paid in capital	18	110,000,000	110,000,000
Share premium		66,943	66,943
Statutory reserve	19	24,249,030	24,249,030
Voluntary reserve	19	197,281	197,281
General banking risk reserve	19	5,584,213	5,584,213
Fair value reserve		(152,587)	(153,878)
Profit for the period after tax		3,336,407	
Retained earnings		17,163,992	17,163,992
Total Equity		160,445,279	157,107,581
Total Liabilities and Equity		1,112,234,047	1,113,522,127

The accompanying notes from 1 to 19 are an integral part of these Interim Condensed consolidated financial statements

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

	<u>Notes</u>	<u>31 March 2017</u>	<u>31 March 2016</u>
Interest income		14,376,587	14,331,491
Interest expense		(5,554,588)	(4,605,668)
Net interest income		8,821,999	9,725,823
Net commission income		992,800	924,347
Net interest and commission income		9,814,799	10,650,170
 Gain from foreign currencies		 226,530	 249,475
Gain from financial assets at fair value through profit or loss		4,150	53,434
Gain from financial assets at amortized cost		-	49,482
Other income		1,228,002	1,058,708
Gross income		11,273,481	12,061,269
Staff expenses		(3,368,288)	(3,457,210)
Depreciation and amortization		(536,772)	(496,517)
Other expenses		(2,012,232)	(1,718,487)
Impairment loss on direct credit facilities		(294,963)	(36,910)
Provision for repossessed assets		(71,820)	(37,260)
Reversal of sundry provisions		50,000	-
Total expenses		(6,234,075)	(5,746,384)
Profit before tax		5,039,406	6,314,885
Income tax expense	11	(1,702,999)	(2,106,431)
Profit for the period		3,336,407	4,208,454
		<u>JD/ Fils</u>	<u>JD/ Fils</u>
 Basic and diluted earnings per share	 12	 <u>0/030</u>	 <u>0/038</u>

The accompanying notes from 1 to 19 are an integral part of these Interim Condensed consolidated financial statements

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

	<u>31 March 2017</u>	<u>31 March 2016</u>
Profit for the period	3,336,407	4,208,454
Add: other comprehensive income that will be transferred to profit or loss in subsequent periods		
Changes in fair value of hedging financial instruments	<u>1,291</u>	<u>(127,010)</u>
Total comprehensive income for the period	<u>3,337,698</u>	<u>4,081,444</u>

The accompanying notes from 1 to 19 are an integral part of these Interim Condensed consolidated financial statements

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

	Reserves					Fair Value Reserve	Retained Earnings	Profit for the period	Total
	Paid in Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Banking Risk Reserve				
For period ended 31 March 2017 -									
Balance at 1 January 2017	110,000,000	66,943	24,249,030	197,281	5,584,213	(153,878)	17,163,992	-	157,107,581
Total comprehensive income for the period	-	-	-	-	-	1,291	-	3,336,407	3,337,698
Balance at 31 March 2017	110,000,000	66,943	24,249,030	197,281	5,584,213	(152,587)	17,163,992	3,336,407	160,445,279
For period ended 31 March 2016 -									
Balance at 1 January 2016	110,000,000	66,943	22,105,879	197,281	5,358,240	(318,586)	15,367,389	-	152,777,146
Total comprehensive income for the period	-	-	-	-	-	(127,010)	-	4,208,454	4,081,444
Balance at 31 March 2016	110,000,000	66,943	22,105,879	197,281	5,358,240	(445,596)	15,367,389	4,208,454	156,858,590

- The general banking risk reserve cannot be used without the approval of the Central Bank of Jordan.
- An amount of JD 445,311 as of 31 March 2017 is restricted from distribution from retained earnings balance (31 December 2016: JD 1,012,682), which represents deferred tax assets, and an amount of JD 152,587 is restricted from the retained earnings (31 December 2016: JD 153,878) which represents the negative fair value reserve.
- Included in retained earnings an amount of JD 2,114 as of 31 March 2017 (31 December 2016: JD 16,806) which is restricted, representing the effect of IFRS 9 early adoption, except for the amounts realized through the actual sale.

The accompanying notes from 1 to 19 are an integral part of these Interim Condensed consolidated financial statements

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

	<u>Note</u>	<u>31 March 2017</u>	<u>31 March 2016</u>
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		5,039,406	6,314,885
Adjustments for non-cash items			
Depreciation and amortization		536,772	496,517
Impairment loss on direct credit facilities		294,963	36,910
Gains from sale of property and equipment		(12,998)	(10,409)
Gains from sale of repossessed assets		(209)	(71,500)
Impairment of land held for sale		-	10,000
Provision for repossessed assets		71,820	37,260
Reversal of sundry provisions		(50,000)	-
Accrued interest		540,491	435,477
Unrealized loss from financial assets at fair value through profit or loss		38,849	9,520
Effect of exchange rate on cash and cash equivalents		53,850	(71,455)
Realized gain from sale of financial assets at fair value through profit or loss		(31,949)	(50,204)
Realized gain from sale of financial assets at amortized cost		-	(49,482)
Operating cash flows before changes in assets and liabilities		6,480,995	7,087,519
Changes in assets and liabilities -			
Deposits at banks and financial institutions maturing after three months		24,832,860	(12,846,200)
Banks' and financial institutions deposits maturing after three months		-	33,441,770
Direct credit facilities		(4,183,995)	(11,663,582)
Financial assets at fair value through profit or loss		(47,437)	440,204
Other assets		(4,712,784)	20,809,953
Customers' deposits		(11,606,347)	(10,832,434)
Margin accounts		(459,928)	2,565,487
Other liabilities		(404,613)	2,467,149
Sundry provisions paid		(18,496)	(15,660)
Net cash flows from operating activities before income tax		9,880,255	31,654,206
Income tax paid		(3,191,574)	(2,173,250)
Net cash flows from operating activities		6,688,681	29,480,956
<u>INVESTING ACTIVITIES</u>			
Purchase of financial assets at amortized cost		(72,165,540)	(45,015,515)
Sale and maturity of financial assets at amortized cost		35,705,570	33,602,874
Purchase of intangible assets		(29,299)	(44,955)
Purchase of property and equipment		(548,332)	(287,493)
Proceeds from sale of property and equipment		13,000	10,821
Net cash flows used in investing activities		(37,024,601)	(11,734,468)
<u>FINANCING ACTIVITIES</u>			
Paid loans and borrowings		(64,758)	(61,639)
Dividends paid to shareholders		(4,022)	(37,754)
Net cash flows used in financing activities		(68,780)	(99,393)
Effect of changes in exchange rate on cash and cash equivalents		(53,850)	71,455
Net (decrease) increase in cash and cash equivalents		(30,458,550)	17,718,550
Cash and cash equivalents, beginning of the period		20,615,408	(2,996,211)
Cash and cash equivalents, end of the period	13	(9,843,142)	14,722,339

The accompanying notes from 1 to 19 are an integral part of these Interim Condensed consolidated financial statements

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

(1) GENERAL INFORMATION

Arab Banking Corporation (Jordan) was established as a public shareholding company on 21 January 1990 in accordance with the Companies Law No (1) of 1989. Its registered office is Amman - Jordan.

The Bank provides banking services through its head office in Amman and its 27 branches in Jordan and the subsidiary Company.

The Bank and its subsidiary "the Group" financial statements are consolidated in Arab Banking Corporation – Bahrain financial statements.

The Bank's shares are listed and traded in Amman Stock Exchange.

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 23 April 2017.

(2) Basis of preparation of the interim financial statements

The accompanying interim condensed consolidated financial statements for the Group as of 31 March 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Group's annual financial report as at 31 December 2016. In addition, the results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)
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Changes in accounting policies:

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new amendments effective from 1 January 2017.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Group's interim condensed consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognized Losses

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Group's interim condensed consolidated financial statements.

(3) Basis of consolidation

The consolidated financial statements comprise of the financial statements of the Bank and its subsidiary over which the Bank has the power to control the financial and operating policies so as to obtain benefits from their activities. All balances, transactions, income, and expenses between the Bank and the its subsidiary are eliminated.

There is one subsidiary, which is Arab Co-operation for Financial Investments Co. Ltd. established on 25 January 1990. The Bank owns 100% of the paid in capital amounting to JD 15,600,000. The Company's main activities include asset management and brokerage in securities on behalf of its clients at Amman Stock Exchange and abroad in addition to financial consulting in connection with securities.

The financial statements of the subsidiary are prepared for the same reporting year as for the Bank and using consistent accounting policies with the Bank, if different policies are adopted then adjustments are done to the subsidiary's financial statements to be in line with the Bank's policies.

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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A subsidiary is fully consolidated from the date on which control is transferred to the Bank and cease to be consolidated from the date on which control is transferred out of the Bank. The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date to disposal, as appropriate.

(4) CASH AND BALANCES WITH CENTRAL BANKS

- The statutory cash reserve amounted JD 43,695,136 as of 31 March 2017 (31 December 2016: JD 46,522,109).
- Except for the statutory cash reserve held at Central Bank of Jordan, there are no restricted balances as of 31 March 2017 and 31 December 2016.
- There are no certificate of deposits that have maturity period more than 3 months as of 31 March 2017 and 31 December 2016.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

- Non-interest bearing balances at banks and financial institutions amounted to JD 6,108,306 as of 31 March 2017 (31 December 2016: JD 5,185,847).
- There are no restricted balances as of 31 March 2017 and 31 December 2016.

(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Equity shares	<u>781,025</u>	<u>740,488</u>

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(7) FINANCIAL ASSETS AT AMORTIZED COST

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Unquoted Financial Assets:		
Government and government guaranteed bonds	295,782,962	255,768,026
Other bonds	34,891,612	38,446,578
Total Unquoted Financial Assets	330,674,574	294,214,604
Bonds and treasury bills analysis:		
Fixed rate	323,674,574	287,214,604
Floating rate	7,000,000	7,000,000
Total	330,674,574	294,214,604

(8) DIRECT CREDIT FACILITIES

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Consumer lending		
Overdrafts*	23,214,748	21,042,265
Loans and bills **	220,293,900	217,455,291
Credit cards	5,499,493	5,501,933
Residential mortgages	80,544,642	81,398,557
Corporate lending		
Overdrafts*	88,502,840	87,511,299
Loans and bills **	148,663,998	147,850,702
Small and medium enterprises lending "SMEs"		
Overdrafts*	6,268,123	5,643,099
Loans and bills **	12,969,811	10,063,913
Lending to government and public sector **	1,257,868	6,304,174
Total	587,215,423	582,771,233
Less: Suspended interest	(9,156,272)	(8,892,797)
Less: Provision for impairment losses	(22,525,650)	(22,233,967)
Direct credit facilities, net	555,533,501	551,644,469

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

- * Net of interest and commission received in advance amounting to JD 14,544 as of 31 March 2017 (31 December 2016: JD 21,966).
- ** Net of interest and commissions received in advance amounting to JD 223,114 as of 31 March 2017 (31 December 2016: JD 185,155).
- At 31 March 2017, non-performing credit facilities amounted to JD 30,357,206 (2016: JD 29,996,522) representing 5.170% (31 December 2016: 5.147%) of gross facilities.

The movement on the provision for impairment losses for direct credit facilities is as follows:

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Balance at beginning of period/ year	22,233,967	20,437,587
Charge for the period/ year	294,963	1,864,230
Amounts written – off during the period/ year	(3,280)	(67,850)
Balance at the end of period/ year	22,525,650	22,233,967

Interest in suspense

The movement on interest in suspense for direct credit facilities by class is as follows:

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Balance at beginning of period/ year	8,892,797	7,865,538
Suspended interest during the period/ year	497,179	1,926,976
Recoveries transferred to income	(166,149)	(405,793)
Interests written - off	(67,555)	(493,924)
Balance at the end of period/ year	9,156,272	8,892,797

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

(9) CUSTOMERS' DEPOSITS

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Current and demand deposits	108,770,927	111,660,809
Saving accounts	22,362,264	20,493,073
Time and notice deposits	493,516,927	504,102,583
Balance at the end of the period/ year	<u>624,650,118</u>	<u>636,256,465</u>

- Jordan Government and public sector deposits amounted to JD 64,334,862 as of 31 March 2017 (31 December 2016: JD 54,306,938) representing 10.299% (31 December 2016: 8.535%) of total customers' deposits.
- Non-interest bearing deposits amounted to JD 111,453,672 as of 31 March 2017 (31 December 2016: JD 116,507,584) representing 17.843% (31 December 2016: 18.311%) of total deposits.
- Restricted deposits amounted to JD 19,382,066 as of 31 March 2017 (31 December 2016: JD 19,839,258) representing 3.103% (31 December 2016: 3.118%) of total deposits.
- Dormant accounts amounted to JD 14,035,198 as of 31 March 2017 (31 December 2016: JD 11,333,423).

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

(10) LOANS AND BORROWINGS

	<u>Amount</u> JD	<u>Total no.</u> <u>of payments</u>	<u>Outstanding</u> <u>payments</u>	<u>Instalments</u> <u>maturity</u>	<u>Collaterals</u>	<u>Interest rate</u>
31 March 2017 – (Unaudited)						
Borrowing from Central Bank of Jordan	5,008,493	1	1	24 months	Bills upon request	2.000%
Borrowing from Central Bank of Jordan	1,350,000	28	28	Semi annual	-	2.500%
Real Estate Mortgage Refinance Company	1,461,927	236	69	monthly	Mortgage deeds	6.809%
Real Estate Mortgage Refinance Company	20,000,000	1	1	24 months	Mortgage deeds	3.800%
Real Estate Mortgage Refinance Company	20,000,000	1	1	12 months	Mortgage deeds	4.200%
	<u>47,820,420</u>					
31 December 2016 – (Audited)						
Borrowing from Central Bank of Jordan	5,009,323	1	1	9 months	Bills upon request	2.000%
Borrowing from Central Bank of Jordan	1,350,085	28	28	Semi annual	-	2.500%
Real Estate Mortgage Refinance Company	1,525,770	236	72	Monthly	Mortgage deeds	6.809%
Real Estate Mortgage Refinance Company	20,000,000	1	1	24 months	Mortgage deeds	3.800%
Real Estate Mortgage Refinance Company	20,000,000	1	1	12 months	Mortgage deeds	4.200%
	<u>47,885,178</u>					

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017 (UNAUDITED)
(In Jordanian Dinars)

(11) INCOME TAX

Income tax provision

The movement on the income tax provision is as follows:

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Balance at beginning of period/ year	5,176,763	7,049,936
Income tax paid	(3,191,574)	(9,314,366)
Income tax liability for the period	1,144,233	7,441,193
Balance at the end of period/ year	3,129,422	5,176,763

Income tax expense appearing in the consolidated income statement represents the following:

	31 March 2017 JD (Unaudited)	31 March 2016 JD (Unaudited)
Current income tax liabilities for the period	1,144,233	1,641,004
Deferred tax assets for the period	(153,129)	(203,455)
Reversal of deferred tax assets	719,806	697,999
Reversal of deferred tax liabilities	(7,911)	(29,117)
	1,702,999	2,106,431

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(In Jordanian Dinars)

The statutory tax rate on banks in Jordan is 35% and the statutory tax rate on the subsidiary is 24%.

A final settlement with Income Tax Department has been reached for the bank and the subsidiary until the end of the year 2013.

The Bank submitted its income tax declaration with Income Tax Department for the years 2014 and 2015, however, the Income Tax Department did not issue its final decision up to the date of these financial statements.

The Income Tax Department has issued a preliminary assessment for 2014 for additional tax amounting JD 1,339,540 in addition to penalties amounting JD 231,021. The bank filed an objection with Income Tax Department which is still pending. Based on the tax consultant's opinion, the bank will not be subject for any additional tax due to this claim.

(12) BASIC DILUTED EARNINGS PER SHARE

	31 March 2017 JD (Unaudited)	31 March 2016 JD (Unaudited)
Profit for the period	3,336,407	4,208,454
Weighted average number of shares	110,000,000	110,000,000
Basic and diluted earnings per share (JD/ Fils)	0/030	0/038

(13) CASH AND CASH EQUIVALENTS

	31 March 2017 JD (Unaudited)	31 March 2016 JD (Unaudited)
Cash and balances with central banks maturing within three months	65,840,254	74,572,817
Add: Balances at banks and financial institutions maturing within 3 months	96,342,332	64,352,112
Less: Banks and financial institutions' deposits maturing within 3 months	(172,025,728)	(124,202,590)
Total	(9,843,142)	14,722,339

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(14) RELATED PARTIES TRANSACTIONS

The accompanying consolidated financial statements include the Bank and the financial statement of following subsidiary:

<u>Company name</u>	<u>Ownership</u>	<u>Paid in capital</u>	
		<u>31 March 2017</u>	<u>31 December 2016</u>
		<u>JD</u>	<u>JD</u>
		<u>(Unaudited)</u>	<u>(Audited)</u>
Arab Co- operation for Financial Investments Company Ltd	100%	<u>15,600,000</u>	<u>15,600,000</u>

The Group entered into transactions with parent and affiliated companies, directors, senior management in the ordinary course of business at commercial interest and commission rates. All the loans and advances granted to related parties are performing loans and are free of any provision for impairment.

The following related parties transactions took place during the period:

	<u>Related party</u>				<u>Total</u>	
	<u>Parent and affiliated companies</u>	<u>Employees</u>	<u>Board of directors</u>	<u>Senior management</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>Statement of financial position:</u>					<u>(Unaudited)</u>	<u>(Audited)</u>
Direct credit facilities	-	8,013,114	651	2,926,114	10,939,879	10,797,029
Deposits at banks and financial institutions	49,804,892	-	-	-	49,804,892	48,959,440
Banks and financial institutions deposits	94,072,698	-	-	-	94,072,698	85,296,897
Customers' deposits	-	1,846,777	1,640,086	2,768,736	6,255,599	4,835,139
<u>Commitments and contingent liabilities</u>						
Letters of guarantee	18,179,240	500	2,000	-	18,181,740	15,088,436
Letters of credit	1,612,199	-	-	-	1,612,199	4,334,043
Interest rate swap contracts	17,228,700	-	-	-	17,228,700	20,773,700

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	Related party				Total	
	Parent and affiliated companies	Employees	Board of directors	Senior management	31 March 2017	31 March 2016
	JD	JD	JD	JD	JD	JD
					(Unaudited)	(Unaudited)
Income statement:						
Interest and commission income*	356,997	45,096	-	21,280	423,373	329,496
Interest and commission expense**	(415,993)	(7,054)	(9,999)	(13,801)	(446,847)	(344,214)

* Interest rates on credit facilities range between 3% - 9.866%

** Interest rates on customers' deposits range between 0.1% to 4%.

Compensation of the key executive personnel as follows:

	31 March 2017	31 March 2016
	JD	JD
	(Unaudited)	(Unaudited)
Salaries and bonuses	1,365,301	1,107,271

(15) INFORMATION ON THE BANK BUSINESS SEGMENTS

For management purposes the Bank is organized into three major operating segments:

- Retail banking: This include individual transaction such as customer deposits, housing loans, overdrafts, credit card, and bank transfers.
- Corporate banking: This include corporate transaction such as corporate loans, credit facilities, deposits, and current accounts.
- Treasury: This includes providing management services, trading and treasury, in addition to managing the Bank's financing activities through dealing with treasury bills, governmental securities, deposits and letters of acceptance through treasury and banking services.

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Following is information on the Bank business segments:

	Total					
	Retail	Corporate	Treasury	Other	31 March 2017	31 March 2016
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000" (Unaudited)	JD "000" (Unaudited)
Total income	7,862	4,201	4,732	33	16,828	16,667
Impairment loss on direct credit facilities	(373)	78	-	-	(295)	(37)
Segmental results	3,481	2,708	4,756	33	10,978	12,024
Unallocated expenses					(5,939)	(5,709)
Profit before tax					5,039	6,315
Income tax					(1,703)	(2,107)
Net profit for the period					3,336	4,208
Capital expenditure					578	332
Depreciation and amortization					537	497
					31 March 2017	31 December 2016
					JD "000" (Unaudited)	JD "000" (Audited)
Other information						
Segmental assets	298,168	277,049	521,768	-	1,096,985	1,099,270
Unallocated segmental assets	-	-	-	15,249	15,249	14,252
Total Assets	298,168	277,049	521,768	15,249	1,112,234	1,113,522
Segmental liabilities	539,525	188,603	217,498	-	945,626	947,020
Unallocated segmental liabilities	-	-	-	6,163	6,163	9,395
Total Liabilities	539,525	188,603	217,498	6,163	951,789	956,415

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(16) CONTINGENT LIABILITIES AND COMMITMENTS

The contingent liabilities and commitments of the Bank as at the date of the interim consolidated financial statements is as follows:

	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Letters of credit:		
Import LCs	56,620,690	70,563,724
Export LCs	9,552,100	16,134,566
Acceptances	25,005,807	20,056,170
Letters of guarantee:		
Payments	33,170,883	33,156,795
Performance	51,522,122	44,964,891
Other	42,531,239	40,759,570
Unutilized commitments	25,736,506	33,035,357
Total	244,139,347	258,671,073

(17) LAWSUITS

The Bank is a defendant in a number of lawsuits amounting to JD 1,388,705 as of 31 March 2017 (31 December 2016: JD 1,413,705). According to the Bank's lawyer and Bank's Management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided for amounting to JD 638,414 as of 31 March 2017 (31 December 2016: JD 638,414).

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(18) PAID IN CAPITAL

The paid in capital amounted to JD 110,000,000 divided in to 110,000,000 shares at a par value of JD 1 per share as of 31 March 2017 and 31 December 2016.

Proposed cash dividends

The Bank's Board of Directors proposed in its meeting on 27 February 2017 to distribute cash dividends to the shareholders amounting to JD 9,900,000 equivalent to 9% of the subscribed and paid in capital.

(19) STATUTORY AND LEGAL RESERVE

The Bank did not make any transfers to legal reserves in accordance with Jordanian Companies' Law since these are interim financial statements.