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الرقم :

التاريخ : ٢٠١٧/١٠/٣١

السادة/ هيئة الأوراق المالية المحترمين
عمان - الأردن

الموضوع : البيانات المالية الربع سنوية كما في
٢٠١٧/٩/٣٠

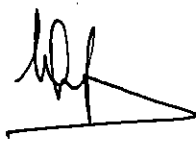
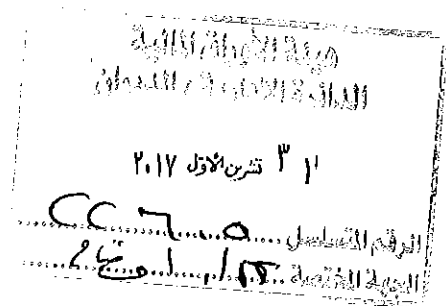
تحية و بعد ،

بالإشارة الى الموضوع أعلاه، نرفق لكم البيانات المالية كما في ٣٠ أيلول ٢٠١٧ و المراجعة من قبل السادة إرنست و يونغ و ديلويت أند توش باللغتين العربية و الإنجليزية بالإضافة الى قرص مدمج بالبيانات المالية باللغتين العربية و الإنجليزية علما بأن البيانات أعلاه لا تتطلب موافقة البنك المركزي عليها بموجب كتابهم رقم ٨٠٠٢/١٠ و المؤرخ في ٢٠٠٤/٧/٦.

وتفضلوا بقبول فائق الاحترام ،،،

المدير العام بالانابة

جورج صوفيا

• مرفق قرص مدمج بالبيانات المالية باللغتين العربية و الإنجليزية .

ARAB BANKING CORPORATION (JORDAN)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

30 SEPTEMBER 2017

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

Introduction

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 30 September 2017, comprising of the interim condensed consolidated statement of financial position as of 30 September 2017, the related interim condensed consolidated income statement, interim consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the nine-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.

Other Matter

The consolidated financial statements for the year ended 31 December 2016 and the interim condensed consolidated financial statements for the period ended 30 September 2016 were audited and reviewed respectively by Ernst & Young - Jordan as the sole auditor of the Bank for the year 2016. Unqualified opinion and unqualified conclusion were issued on these financial statements on 27 February 2017 and 17 October 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.

Explanatory Paragraphs

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

The accompanying interim condensed consolidated financial statements are a translation of the original interim condensed consolidated financial statements in the Arabic language to which reference should be made.

Amman – Jordan
26 October 2017

Ernst & Young

Ernst & Young – Jordan

Deloitte & Touche (Middle East) - Jordan



ARAB BANKING CORPORATION (JORDAN)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	<u>Notes</u>	30 September 2017 JD (Reviewed not audited)	31 December 2016 JD (Audited)
<u>ASSETS</u>			
Cash and balances with central banks	5	54,201,963	114,640,271
Balances at banks and financial institutions	6	83,697,396	68,264,913
Deposits at banks and financial institutions		24,161,600	28,360,000
Financial assets at fair value through other comprehensive income		47,320	-
Financial assets at fair value through profit or loss	7	666,418	740,488
Direct credit facilities - net	8	584,310,300	551,644,469
Financial assets at amortized cost	9	313,810,057	294,214,604
Property and equipment- net		11,903,613	11,281,362
Intangible assets- net		343,145	635,153
Deferred tax assets		666,735	1,012,682
Other assets		22,605,965	42,728,185
Total Assets		1,096,414,512	1,113,522,127
<u>LIABILITIES AND EQUITY</u>			
<u>Liabilities</u>			
Banks and financial institutions' deposits		205,129,194	195,866,799
Customers' deposits	10	613,027,802	636,256,465
Margin accounts		50,516,704	49,401,808
Loans and borrowings	11	47,721,919	47,885,178
Sundry provisions		1,196,184	1,658,696
Income tax provision	12	4,320,876	5,176,763
Deferred tax liabilities		1,139	9,050
Other liabilities		17,766,535	20,159,787
Total Liabilities		939,680,353	956,414,546
<u>Equity</u>			
Paid in capital	20	110,000,000	110,000,000
Share premium		66,943	66,943
Statutory reserve	21	24,249,030	24,249,030
Voluntary reserve		197,281	197,281
General banking risk reserve		5,884,213	5,584,213
Fair value reserve		(133,370)	(153,878)
Retained earnings		6,963,992	17,163,992
Profit for the period		9,506,070	-
Total Equity		156,734,159	157,107,581
Total Liabilities and Equity		1,096,414,512	1,113,522,127

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements and should be read with them

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (REVIEWED NOT AUDITED)

	Notes	For the three months ended 30		For the nine months ended 30	
		September		September	
		2017	2016	2017	2016
		JD	JD	JD	JD
Interest income		15,373,199	14,488,772	44,510,767	43,069,213
Interest expense		(6,465,894)	(5,061,166)	(18,012,331)	(14,216,312)
Net interest income		8,907,305	9,427,606	26,498,436	28,852,901
Net commission income		802,912	743,291	2,568,383	2,558,879
Net interest and commission income		9,710,217	10,170,897	29,066,819	31,411,780
Gain from foreign currencies		254,499	238,753	709,578	714,114
(Loss) gain from financial assets at fair value through profit or loss		(12,340)	4,714	(105,657)	71,108
Gain from sale of financial assets at amortized cost		-	-	1,950	51,432
Other income		936,750	929,554	3,155,922	2,964,801
Gross income		10,889,126	11,343,918	32,828,612	35,213,235
Employees expenses		(3,387,386)	(3,334,038)	(10,111,965)	(10,145,858)
Depreciation and amortization		(391,677)	(501,670)	(1,396,284)	(1,533,009)
Other expenses		(2,174,010)	(1,919,673)	(6,315,175)	(5,665,069)
Impairment loss on direct credit facilities	8	4,447	(508,808)	(718,589)	(990,289)
Provision for repossessed assets		(71,820)	-	(215,460)	(74,520)
Surplus of sundry provisions		-	1,000	350,000	1,000
Total expenses		(6,020,446)	(6,263,189)	(18,407,473)	(18,407,745)
Profit before tax		4,868,680	5,080,729	14,421,139	16,805,490
Income tax expense	12	(1,665,321)	(1,741,489)	(4,915,069)	(5,638,014)
Profit for the period		3,203,359	3,339,240	9,506,070	11,167,476
		<u>JD/ Fils</u>	<u>JD/ Fils</u>	<u>JD/ Fils</u>	<u>JD/ Fils</u>
Basic and Diluted Earnings Per Share of the profit of the Period	13	<u>0/029</u>	<u>0/030</u>	<u>0/086</u>	<u>0/102</u>

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements and should be read with them

ARAB BANKING CORPORATION (JORDAN)**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME****FOR THE THREE MONTHS AND NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (REVIEWED NOT AUDITED)**

	For the three months ended 30 September		For the nine months ended 30 September	
	2017	2016	2017	2016
	JD	JD	JD	JD
Profit for the period	3,203,359	3,339,240	9,506,070	11,167,476
Add: Other comprehensive income items which will be reclassified to profit or loss in subsequent periods:				
Changes in fair value of hedging financial instruments	(14,365)	63,597	20,508	(30,600)
Total comprehensive income for the period	3,188,994	3,402,837	9,526,578	11,136,876

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements and should be read with them

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (REVIEWED NOT AUDITED)

	Reserves						Profit for the Period JD	Total JD
	Paid in Capital JD	Share JD	Statutory JD	Voluntary JD	General Banking Risk Reserve JD	Fair Value Reserve JD		
For period ended 30 September 2017 -								
Balance at 1 January 2017	110,000,000	66,943	24,249,030	197,281	5,584,213	(153,878)	-	157,107,581
Total comprehensive income for the period	-	-	-	-	-	20,508	9,506,070	9,526,578
Transfer to reserves	-	-	-	-	300,000	-	-	-
Distributed dividends (Note 20)	-	-	-	-	-	-	-	(9,900,000)
Balance at 30 September 2017	110,000,000	66,943	24,249,030	197,281	5,884,213	(133,370)	9,506,070	156,734,159
For period ended 30 September 2016 -								
Balance at 1 January 2016	110,000,000	66,943	22,105,879	197,281	5,358,240	(318,586)	-	152,777,146
Total comprehensive income for the period	-	-	-	-	-	(30,600)	11,167,476	11,136,876
Distributed dividends	-	-	-	-	-	-	-	(9,900,000)
Balance at 30 September 2016	110,000,000	66,943	22,105,879	197,281	5,358,240	(349,186)	11,167,476	154,014,022

- An amount of JD 666,735 as of 30 September 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 133,370 is restricted from the retained earnings (31 December 2016: JD 153,878) which represents the negative fair value reserve including capitalization or distribution only to the extent of actually achieved on the basis of the instructions of the Central Bank of Jordan and Jordan Securities Commission.

- The general banking risk restricted reserve cannot be used without the pre-approval of the Central Bank of Jordan.

- Included in retained earnings an amount of JD 2,114 as of 30 September 2017 (31 December 2016: JD 16,806) which is restricted, representing the effect of the early adoption of IFRS 9, except for the amounts realized through the actual sale. Included in retained earnings an amount of JD 116,022 which represents unrealized losses from revaluation of fair value through profit or loss investments.

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements and should be read with them

ARAB BANKING CORPORATION (JORDAN)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2017 (REVIEWED NOT AUDITED)

	Notes	30 September 2017 JD	30 September 2016 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		14,421,139	16,805,490
Adjustments for non-cash items			
Depreciation and amortization		1,396,284	1,533,009
Impairment loss on direct credit facilities	8	718,589	990,289
Gains from sale of property and equipment		(23,799)	(12,720)
Accrued interest		1,390,005	443,308
Impairment of land held for sale		-	50,000
Gains from sale of repossessed assets		(209)	(104,587)
Provision for repossessed assets		215,460	74,520
Surplus in sundry provisions		(350,000)	(1,000)
Unrealized loss from financial assets at fair value through profit or loss		153,456	6,413
Realized gain from sale of financial assets at fair value through profit or loss		(31,949)	(51,771)
Realized gain from sale of financial assets at amortized cost		(1,950)	(51,432)
Effect of exchange rate on cash and cash equivalents		153,974	92,133
Operating cash flows before changes in assets and liabilities		18,041,000	19,773,652
Changes in assets and liabilities -			
Deposits at banks and financial Institutions maturing after three months		4,198,400	(6,667,600)
Banks' and financial institutions deposits maturing after three months		357,455	33,577,024
Direct credit facilities		(33,384,420)	(33,437,702)
Financial assets at fair value through profit or loss		(47,437)	458,339
Other assets		19,798,043	19,480,562
Customers' deposits		(23,228,663)	8,609,412
Margin accounts		1,114,896	5,659,598
Other provisions paid		(124,825)	(59,310)
Other liabilities		(3,697,435)	(1,889,916)
Net cash flows (used in) from operating activities before income tax		(16,972,986)	45,504,059
Income tax paid	12	(5,443,963)	(9,313,024)
Net cash flows (used in) from operating activities		(22,416,949)	36,191,035
<u>INVESTING ACTIVITIES</u>			
Purchase of financial assets at amortized cost		(121,789,401)	(99,036,810)
Sale and maturity of financial assets at amortized cost		102,195,898	74,645,267
Financial Assets at fair value through other comprehensive income		(47,320)	-
Purchase of intangible assets		(30,043)	(88,509)
Purchase of property and equipment		(1,737,490)	(1,757,456)
Proceeds from sale of property and equipment		64,805	13,255
Net cash flows used in investing activities		(21,343,551)	(26,224,253)
<u>FINANCING ACTIVITIES</u>			
Dividends paid to shareholders		(9,833,031)	(9,976,594)
(Decrease) increase in loans and borrowings		(163,259)	19,810,984
Net cash flows (used in) from financing activities		(9,996,290)	9,834,390
Effect of changes in exchange rate on cash and cash equivalents		(153,974)	(92,133)
Net (decrease) increase in cash and cash equivalents		(53,910,764)	19,709,039
Cash and cash equivalents, beginning of the period		20,615,408	(2,996,211)
Cash and cash equivalents, end of the period	14	(33,295,356)	16,712,828

The accompanying notes from 1 to 21 are an integral part of these interim condensed consolidated financial statements and should be read with them

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

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

The interim condensed consolidated financial statements were authorized for issue by the Board of Directors in their meeting held on 22 October 2017.

(2) Basis of preparation of the interim financial statements

The accompanying interim condensed consolidated financial statements for the Bank as of 30 September 2017 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the related local regulations.

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 with the Bank's annual financial report as at 31 December 2016.

In addition, the results for the nine months ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 Bank's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of the following amendments effective from the first of 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 Bank'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 Bank'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.

The Bank has one subsidiary, Arab Co-operation for Financial Investments Co. Ltd. Which was 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.

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) USE OF ESTIMATES

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty and actual results may differ resulting in future changes. We believe that our estimates in the consolidated financial statements are reasonable and are as follows:

- Provision for credit facilities impairment losses: The Bank reviews its loan portfolios to assess impairment based on Central Bank of Jordan guidelines and International Financial Reporting Standards. Where the provision is calculated in accordance to the most stringent rules.
- Impairment losses on repossessed assets are determined based on the appraisal reports prepared by certified appraisers and are reviewed periodically.
- Income tax is calculated based on the tax rates and laws that are applicable at the reporting date. Deferred tax asset, deferred tax liability and income tax provisions are calculated and recorded.
- Provision for lawsuits is provided for based on the Bank's legal advisor opinion.
- Management periodically re-valuates the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful lives and the general status of these assets and any impairment is charged to the condensed consolidated income statement (if any).

(5) CASH AND BALANCES WITH CENTRAL BANKS

- The statutory cash reserve amounted JD 40,064,459 as of 30 September 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 30 September 2017 and 31 December 2016.

(6) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

- Non-interest bearing balances at banks and financial institutions amounted to JD 5,122,652 as of 30 September 2017 (31 December 2016: JD 5,185,847).
- There are no restricted balances as of 30 September 2017 and 31 December 2016.

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

This item consists of the following:

	30 September 2017 JD (Reviewed not audited)	31 December 2016 JD (Audited)
Equity shares	666,418	740,488

(8) DIRECT CREDIT FACILITIES - NET

	30 September 2017 JD (Reviewed not audited)	31 December 2016 JD (Audited)
Consumer lending		
Overdrafts*	23,999,616	21,042,265
Loans and bills **	228,742,330	217,455,291
Credit cards	5,451,243	5,501,933
Residential mortgages	81,749,200	81,398,557
Corporate lending		
Overdrafts*	95,763,886	87,511,299
Loans and bills **	160,006,661	147,850,702
Small and medium enterprises lending "SMEs"		
Overdrafts*	6,490,815	5,643,099
Loans and bills **	13,386,218	10,063,913
Lending to government and public sector **	1,165,256	6,304,174
Total	616,755,225	582,771,233
Less: Suspended interest	(9,606,949)	(8,892,797)
Less: Provision for impairment losses	(22,837,976)	(22,233,967)
Direct credit facilities, net	584,310,300	551,644,469

* Net of interest and commission received in advance amounting to JD 18,143 as of 30 September 2017 (31 December 2016: JD 21,966).

** Net of interest and commissions received in advance amounting to JD 217,669 as of 30 September 2017 (31 December 2016: JD 185,155).

- At 30 September 2017, non-performing credit facilities amounted to JD 31,032,142 (2016: JD 29,996,522) representing 5.032% (31 December 2016: 5.147%) of gross facilities.

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

	30 September 2017	31 December 2016
	JD	JD
	(Reviewed not audited)	(Audited)
Balance at beginning of period/ year	22,233,967	20,437,587
Charge for the period/ year	718,589	1,864,230
Amounts written – off during the period/ year	(114,580)	(67,850)
Balance at the end of period/ year	22,837,976	22,233,967

Interest in suspense

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

	30 September 2017	31 December 2016
	JD	JD
	(Reviewed not audited)	(Audited)
Balance at beginning of period/ year	8,892,797	7,865,538
Suspended interest during the period/ year	1,501,758	1,926,976
Recoveries transferred to income	(409,275)	(405,793)
Interests written - off	(378,331)	(493,924)
Balance at the end of period/ year	9,606,949	8,892,797

(9) FINANCIAL ASSETS AT AMORTIZED COST

	30 September 2017	31 December 2016
	JD	JD
	(Reviewed not audited)	(Audited)
Unquoted Financial Assets:		
Government and government guaranteed bonds	277,504,935	255,768,026
Other bonds	36,305,122	38,446,578
	313,810,057	294,214,604
Bonds and treasury bills analysis:		
Fixed rate	306,810,057	287,214,604
Floating rate	7,000,000	7,000,000
	313,810,057	294,214,604

(10) CUSTOMERS' DEPOSITS

This item consists of the following:

	30 September 2017	31 December 2016
	JD	JD
	(Reviewed not audited)	(Audited)
Current and demand deposits	100,031,804	111,660,809
Saving accounts	23,885,432	20,493,073
Time and notice deposits	489,110,566	504,102,583
Total	613,027,802	636,256,465

- Jordan Government and public sector deposits amounted to JD 66,422,443 as of 30 September 2017 (2016: JD 54,306,938) representing 10.835% (31 December 2016: 8.535%) of total customers' deposits.
- Non-interest bearing deposits amounted to JD 106,909,812 as of 30 September 2017 (31 December 2016: JD 116,507,584) representing 17.440% (31 December 2016: 18.311%) of total deposits.
- Restricted deposits amounted to JD 19,400,836 as of 30 September 2017 (31 December 2016: JD 19,839,258) representing 3.165% (31 December 2016: 3.118%) of total deposits.
- Dormant accounts amounted to JD 22,788,690 as of 30 September 2017 (31 December 2016: JD 11,333,423) representing 3.717% (31 December 2016: 1.781%) of total deposits.

(11) LOANS AND BORROWINGS

	Amount	Payments		Instalments	Collaterals	Interest Rate
	JD	Total no. of Payments	Outstanding Payments	Maturity		
30 September 2017 (Reviewed not audited)						
Borrowing from Central Bank of Jordan	5,008,223	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	1,363,696	236	63	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>47,721,919</u>					

ARAB BANKING CORPORATION (JORDAN)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2017

	Amount JD	Payments		Instalments Maturity	Collaterals	Interest Rate
		Total no. of Payments	Outstanding Payments			
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>					

(12) INCOME TAX

The movement on the income tax provision is as follows:

	30 September 2017 JD (Reviewed not audited)	31 December 2016 JD (Audited)
Balance at beginning of period/ year	5,176,763	7,049,936
Income tax paid	(5,443,963)	(9,314,366)
Income tax	<u>4,588,076</u>	<u>7,441,193</u>
Balance at the end of period/ year	<u>4,320,876</u>	<u>5,176,763</u>

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

	30 September 2017	30 September 2016
	JD	JD
	(Reviewed not audited)	(Reviewed not audited)
Current income tax provision for the period	4,588,076	5,495,000
Deferred tax assets for the period	(456,376)	(526,750)
Deferred tax assets released	791,280	701,883
Deferred tax liabilities released	(7,911)	(32,119)
	<u>4,915,069</u>	<u>5,638,014</u>

- 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 2015 and 2016, however, the Income Tax Department did not issue its final decision up to the date of these interim condensed consolidated 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 where the department declined that objection. Therefore, the Bank raised a lawsuit in the competent court on 14 May 2017. In the tax consultant's opinion, the Bank will not be subject for any additional tax for this claim.

(13) EARNINGS PER SHARE

	For the three Months Ended 30 September		For the nine Months Ended 30 September	
	2017	2016	2017	2016
	JD	JD	JD	JD
	(Reviewed not audited)		(Reviewed not audited)	
Profit for the period	3,203,359	3,339,240	9,506,070	11,167,476
Weighted average number of shares	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>	<u>110,000,000</u>
Basic and diluted earnings per share (JD/ Fils)	<u>0/029</u>	<u>0/030</u>	<u>0/086</u>	<u>0/102</u>

The diluted earnings per share for the period equals the basic earnings per share.

(14) CASH AND CASH EQUIVALENTS

	30 September 2017	30 September 2016
	JD	JD
	(Reviewed not audited)	(Reviewed not audited)
Cash and balances with the central bank maturing within three months	54,201,963	96,167,068
Add: Balances at banks and financial institutions maturing within 3 months	83,697,396	68,266,245
Less: Banks and financial institutions' deposits maturing within 3 months	(171,194,715)	(147,720,485)
	<u>(33,295,356)</u>	<u>16,712,828</u>

(15) RELATED PARTIES TRANSACTIONS

The accompanying interim condensed 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>	
		30 September 2017	31 December 2016
		JD	JD
		(Reviewed not audited)	(Audited)
Arab Co- operation for Financial Investments Company Ltd	100%	<u>15,600,000</u>	<u>15,600,000</u>

The Bank 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.

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The following related parties transactions took place during the period:

	Related parties				Total	
	Parent and affiliated companies	Employees	Board of directors	Senior management	30 September 2017	31 December 2016
	JD	JD	JD	JD	JD	JD
	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Audited)
<u>Statement of financial position:</u>						
Direct credit facilities	-	8,056,780	1,098	2,699,556	10,757,434	10,797,029
Deposits at banks and financial institutions	59,112,905	-	-	-	59,112,905	48,959,440
Banks and financial institutions deposits	91,400,576	-	-	-	91,400,576	85,296,897
Customers' deposits	-	1,198,917	1,773,207	2,273,079	5,245,203	4,835,139
<u>Off- statement of financial position items</u>						
Letters of guarantee	22,851,617	500	2,000	-	22,854,117	15,088,436
Letters of credit	4,763,675	-	-	-	4,763,675	4,334,043
Interest rate swap contracts	18,256,750	-	-	-	18,256,750	20,773,700
					30 September 2017	30 September 2016
					JD	JD
					(Reviewed not audited)	(Reviewed not audited)
<u>Income statement:</u>						
Interest and commission income*	891,740	132,265	-	60,891	1,084,896	947,571
Interest and commission expense**	(1,373,769)	(19,366)	(33,114)	(47,308)	(1,473,557)	(1,020,967)

* Interest income rates on credit facilities range between 3% to 10.46%

** Interest expense rates income range between 0.1% to 5%.

Compensation (salaries, wages and related benefits) of the Bank's key executive management personnel as follows:

	30 September 2017	30 September 2016
	JD	JD
	(Reviewed not audited)	(Reviewed not audited)
Salaries and bonuses	2,455,435	2,230,641

(16) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted prices in active markets for identical assets and liabilities.

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly from market information and;

Level 3: other techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
30 September 2017 (Reviewed not audited)				
Financial assets				
Financial assets at fair value through profit or loss	495,465	-	170,953	666,418
Financial Assets at fair value through OCI	-	-	47,320	47,320
Financial derivatives	14,592	771	-	15,363
Financial liabilities				
Financial derivatives	-	214,800	-	214,800
31 December 2016 (Audited)				
Financial assets				
Financial assets at fair value through profit or loss	697,532	-	42,956	740,488
Financial derivatives	18,494	-	-	18,494
Financial liabilities				
Financial derivatives	-	237,122	-	237,122

(17) CONTINGENT LIABILITIES AND COMMITMENTS

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

	30 September 2017 JD (Reviewed not audited)	31 December 2016 JD (Audited)
Letters of credit:		
Import LCs	46,001,966	70,563,724
Export LCs	27,108,677	16,134,566
Acceptances	15,141,963	20,056,170
Letters of guarantee:		
Payments	34,474,760	33,156,795
Performance	77,986,929	44,964,891
Other	41,425,546	40,759,570
Unutilized credit facilities	20,142,110	33,035,357
Total	262,281,951	258,671,073

(18) 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 Group business segments:

	Retail JD "000"	Corporate JD "000"	Treasury JD "000"	Other JD "000"	Total	
					30 September 2017 JD "000" (Reviewed not audited)	30 September 2016 JD "000" (Reviewed not audited)
Gross income	24,066	12,967	13,757	51	50,841	49,430
Impairment loss on direct credit facilities	(1,148)	429	-	-	(719)	(990)
Segmental results	10,076	9,182	12,801	51	32,110	34,223
Unallocated expenses					(17,689)	(17,418)
Profit before tax					14,421	16,805
Income tax					(4,915)	(5,638)
Net profit for the period					9,506	11,167
Capital expenditure					1,768	1,846
Depreciation and amortization					1,396	1,533
					30 September 2017 JD "000" (Reviewed not audited)	31 December 2016 JD "000" (Audited)
Other information						
Segmental assets	307,870	272,730	501,106	-	1,081,706	1,099,270
Unallocated segmental assets	-	-	-	14,709	14,709	14,252
Total Assets	307,870	272,730	501,106	14,709	1,096,415	1,113,522
Segmental liabilities	542,827	175,320	213,911	-	932,058	947,020
Unallocated segmental liabilities	-	-	-	7,622	7,622	9,395
Total Liabilities	542,827	175,320	213,911	7,622	939,680	956,415

Geographical distribution information:

This disclosure represents the geographical distribution of the Bank business. The Bank operations are mainly concentrated within the local business.

The following table shows the distribution of the Bank's operating income assets, and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	30 September	30 September	30 September	30 September	30 September	30 September
	2017	2016	2017	2016	2017	2016
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)	(Reviewed not audited)
Gross income	48,660	47,364	2,181	2,066	50,841	49,430
Capital expenditures	1,757	1,782	10	64	1,767	1,846

	Inside Jordan		Outside Jordan		Total	
	30 September	31 December	30 September	31 December	30 September	31 December
	2017	2016	2017	2016	2017	2016
	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"	JD "000"
	(Reviewed not audited)	(Audited)	(Reviewed not audited)	(Audited)	(Reviewed not audited)	(Audited)
Total assets	996,578	1,001,904	99,837	111,618	1,096,415	1,113,522

(19) LAWSUITS

The Group is a defendant in a number of lawsuits amounting to JD 1,489,705 as of 30 September 2017 (31 December 2016: JD 1,413,705). According to the Bank's lawyer and its management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided for amounting to JD 638,413 as of 30 September 2017 and 31 December 2016.

(20) 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 30 September 2017 and 31 December 2016.

Distributed Dividends

The General Assembly of the shareholders approved in its meeting on 23 April 2017 to distribute cash dividends to the shareholders amounting to JD 9,900,000 equivalent to 9% of the subscribed and paid in capital.

(21) STATUTORY AND LEGAL RESERVE

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