

ARAB BANK GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

(Reviewed not Audited)

**FOR THE SIX-MONTHS PERIOD ENDED
30 JUNE 2020**

**TOGETHER WITH REVIEW REPORT ON
INTERIM FINANCIAL STATEMENTS**



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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS
ARAB BANK GROUP
AMMAN - JORDAN**

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Bank Group as of 30 June 2020, comprising of the interim consolidated statement of financial position as of 30 June 2020 and the related interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month 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.

Amman – Jordan
26 July 2020

ARAB BANK GROUP
INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

	Notes	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
		USD '000	USD '000
<u>ASSETS</u>			
Cash and balances with central banks	4	8 378 308	7 905 810
Balances with banks and financial institutions	5	3 609 591	4 258 593
Deposits with banks and financial institutions	6	304 226	313 556
Financial assets at fair value through profit or loss	7	342 465	519 053
Financial derivatives - positive fair value		103 369	54 212
Direct credit facilities at amortized cost	9	24 285 382	23 960 625
Financial assets at fair value through other comprehensive income	8	375 714	385 933
Other financial assets at amortized cost	10	8 985 915	8 894 618
Investments in associates		3 644 081	3 513 651
Fixed assets	11	451 595	461 117
Other assets	12	912 778	792 291
Deferred tax assets		186 432	155 385
Total Assets		51 579 856	51 214 844
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Banks and financial institutions' deposits		4 120 688	3 761 895
Customers' deposits	13	33 506 142	33 154 995
Cash margin		2 352 612	3 082 753
Financial derivatives - negative fair value		146 843	75 887
Borrowed funds	14	729 024	332 936
Provision for income tax	15	245 219	345 054
Other provisions		233 884	226 521
Other liabilities	16	1 016 693	1 125 950
Deferred tax liabilities		3 520	6 402
Total Liabilities		42 354 625	42 112 393
<u>Equity</u>			
Share capital	17	926 615	926 615
Share premium		1 225 747	1 225 747
Statutory reserve	17	926 615	926 615
Voluntary reserve		977 315	977 315
General reserve		1 141 824	1 141 824
General banking risks reserve		222 256	238 952
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		(256 103)	(252 925)
Investments revaluation reserve		(326 524)	(298 403)
Retained earnings	18	2 747 006	2 584 537
Total Equity Attributable to the Shareholders of the Bank		9 125 647	9 011 173
Non-controlling interests		99 584	91 278
Total Shareholders' Equity		9 225 231	9 102 451
Total Liabilities and Shareholders' Equity		51 579 856	51 214 844

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

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

	Notes	For the Six-Months Period Ended June 30,		For the Three-Months Period Ended June 30,	
		2020	2019	2020	2019
		USD '000	USD '000	USD '000	USD '000
REVENUE					
Interest income	19	1 083 048	1 211 348	499 576	609 017
Less: interest expense	20	459 627	545 833	210 400	275 918
Net Interest Income		623 421	665 515	289 176	333 099
Net commission income	21	134 271	147 911	63 637	76 506
Net Interest and Commission Income		757 692	813 426	352 813	409 605
Foreign exchange differences		51 435	57 152	21 201	26 098
Gain from financial assets at fair value through profit or loss	22	2 216	2 176	1 223	389
Dividends from financial assets at fair value through other comprehensive income		4 464	6 643	973	3 089
Group's share of profits of associates		151 603	229 923	44 531	122 321
Other revenue / Net	23	22 593	21 716	9 625	10 883
Total Income		990 003	1 131 036	430 366	572 385
EXPENSES					
Employees' expenses		253 881	245 301	124 579	123 037
Other expenses		144 873	143 107	73 428	70 711
Depreciation and amortization		29 368	31 323	14 639	16 869
Provision for impairment - ECL		308 316	85 088	167 823	53 194
Other provisions		12 466	12 557	5 285	7 700
Total Expenses		748 904	517 376	385 754	271 511
Profit for the Period before Income Tax		241 099	613 660	44 612	300 874
Less: Income tax expense	15	88 996	160 450	40 102	79 434
Profit for the Period		152 103	453 210	4 510	221 440
Attributable to :					
- Bank's shareholders		149 102	455 405	4 148	225 193
- Non-controlling interests		3 001	(2 195)	362	(3 753)
Total		152 103	453 210	4 510	221 440
Earnings per share attributable to the Bank's shareholders					
- Basic and Diluted (US Dollars)	30	0.23	0.71	0.01	0.35

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

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

	For the Six-Months		For the Three-Months	
	Period Ended June 30,		Period Ended June 30,	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Profit for the period	152 103	453 210	4 510	221 440
Add: Other comprehensive income items - after tax				
Items that will be subsequently transferred to the statement of Income				
Exchange differences arising from the translation of foreign operations	4 640	10 130	26 530	23 759
Items that will not be subsequently transferred to the statement of Income				
Net change in fair value of financial assets at fair value through other comprehensive income	(28 655)	6 768	38 369	(4 142)
Revaluation (loss) gain on equity instruments at fair value through other comprehensive income	(28 871)	9 111	37 175	(2 649)
Gain (Loss) from sale of financial assets at fair value through other comprehensive income	216	(2 343)	1 194	(1 493)
Total Other Comprehensive Income Items - after Tax	(24 015)	16 898	64 899	19 617
Total Comprehensive Income for the Period	128 088	470 108	69 409	241 057
Attributable to :				
- Bank's shareholders	117 729	471 179	65 594	242 018
- Non-controlling interests	10 359	(1 071)	3 815	(961)
Total	128 088	470 108	69 409	241 057

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

ARAB BANK GROUP
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(REVIEWED NOT AUDITED)

	Notes	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking 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 Shareholders' 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, 2020														
		926 615	1 225 747	926 615	977 315	1 141 824	238 952	1 540 896	(252 925)	(298 403)	2 584 537	9 011 173	91 278	9 102 451
Balance at the beginning of the Period		-	-	-	-	-	-	-	-	-	149 102	149 102	3 001	152 103
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income for the period		-	-	-	-	-	-	-	(3 178)	(28 195)	-	(31 373)	7 358	(24 015)
Total Comprehensive Income for the Period		-	-	-	-	-	-	-	(3 178)	(28 195)	149 102	117 729	10 359	128 088
Transferred from investments revaluation reserve to retained earnings	18	-	-	-	-	-	-	-	-	74	(74)	-	-	-
Investments revaluation reserve transferred to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(290)	(290)
Dividends	18	-	-	-	-	-	-	-	-	-	-	-	(1 763)	(1 763)
Transferred from general banking risk reserve	18	-	-	-	-	-	(16 696)	-	-	-	16 696	-	-	-
Adjustments during the period	18	-	-	-	-	-	-	-	-	-	(3 255)	(3 255)	-	(3 255)
Balance at the End of the Period		926 615	1 225 747	926 615	977 315	1 141 824	222 256	1 540 896	(256 103)	(326 524)	2 747 006	9 125 647	99 584	9 225 231
For the Six-Months Period Ended June 30, 2019														
		926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(264 651)	(322 831)	2 192 006	8 573 552	91 037	8 664 589
Balance at the beginning of the period		-	-	-	-	-	-	-	-	-	(5 315)	(5 315)	-	(5 315)
Effect of IFRS (16) adoption		-	-	-	-	-	-	-	-	-	-	-	-	-
Restated Balance at the beginning of the year		926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(264 651)	(322 831)	2 186 691	8 568 237	91 037	8 659 274
Profit for the period		-	-	-	-	-	-	-	-	-	455 405	455 405	(2 195)	453 210
Other comprehensive income for the period		-	-	-	-	-	-	-	7 498	8 276	-	15 774	1 124	16 898
Total Comprehensive Income for the Period		-	-	-	-	-	-	-	7 498	8 276	455 405	471 179	(1 071)	470 108
Transferred from investments revaluation reserve to retained earnings		-	-	-	-	-	-	-	-	2 343	(2 343)	-	-	-
Transferred from general banking risk reserve		-	-	-	-	-	(372)	-	-	-	372	-	-	-
Dividends		-	-	-	-	-	-	-	-	-	(417 997)	(417 997)	(2 604)	(420 601)
Changes in associates' equity		-	-	-	-	-	-	-	-	-	(17 166)	(17 166)	-	(17 166)
Balance at the End of the Period		926 615	1 225 747	919 507	977 315	1 141 824	236 752	1 540 896	(257 153)	(312 212)	2 204 962	8 604 253	87 362	8 691 615

* The retained earnings include restricted deferred tax assets in the amount of USD 186.4 million, as well as, 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 2.8 million as of June 30, 2020.

* The Bank cannot use a restricted amount of USD (326.5) 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, 2020.

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

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

	Notes	For the Six-Months Period Ended June 30,	
		2020	2019
		USD '000	USD '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit for the period before tax		241 099	613 660
Adjustments for:			
Group's share of profits of associates		(151 603)	(229 923)
Depreciation and amortization		29 368	31 323
Expected credit losses on financial assets		308 316	85 088
Net accrued interest		(70 782)	29 978
(Gain) from sale of fixed assets		(355)	(286)
Dividends on financial assets at fair value through other comprehensive income		(4 464)	(6 643)
Loss (gain) from revaluation of financial assets at fair value through profit or loss	22	531	(509)
Other provisions		12 466	12 557
Total		364 576	535 245
<u>(Increase) decrease in assets:</u>			
Balances with central banks (maturing after 3 months)		21 645	-
Deposits with banks and financial institutions (maturing after 3 months)		8 718	50 563
Direct credit facilities at amortized cost		(527 602)	(365 689)
Financial assets at fair value through profit or loss		176 057	104 792
Other assets and financial derivatives		(36 051)	(157 906)
<u>Increase (decrease) in liabilities:</u>			
Banks' and financial institutions' deposits (maturing after 3 months)		650 584	165 302
Customer's deposits		351 147	(56 087)
Cash margin		(730 141)	(186 963)
Other liabilities and financial derivatives		(14 399)	134 530
Net Cash Flows from Operating Activities before Income Tax		264 534	223 787
Income tax paid	15	(222 660)	(196 840)
Net Cash Flows from Operating Activities		41 874	26 947
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Purchase) sale of financial assets at fair value through other comprehensive income		(17 976)	8 146
(Purchase) maturity of other financial assets at amortized cost		(102 757)	(17 519)
(Increase) of investments in associates		(138 998)	(600)
Dividends received from associates		64 355	82 415
Dividends received from financial assets at fair value through other comprehensive income		4 464	6 643
(Increase) in fixed assets - net	11	(19 491)	(33 780)
Net Cash Flows (Used in) from Investing Activities		(210 403)	45 305
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in (paid) borrowed funds		396 088	(14 816)
Dividends paid to shareholders		(659)	(413 846)
Dividends paid to non-controlling interests		(1 763)	(2 604)
Net Cash Flows from (used in) Financing Activities		393 666	(431 266)
Net increase (decrease) in cash and cash equivalents		225 137	(359 014)
Exchange differences - change in foreign exchange rates		(3 178)	7 498
Cash and cash equivalents at the beginning of the Year		8 815 119	7 367 430
Cash and Cash Equivalents at the End of the Period	31	9 037 078	7 015 914
Operational Cash Flows form Interest			
Interest Paid		495 414	510 118
Interest Received		1 048 053	1 205 611

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

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020
(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 81 branches in Jordan and 128 branches abroad. Also, the Bank operates through its subsidiaries and Arab Bank (Switzerland) limited.
- Arab Bank Plc shares are traded on Amman Stock Exchange. The shareholders of Arab Bank PLC are the same shareholders of Arab Bank Switzerland (every 18 shares of Arab Bank PLC equal/ traded for 1 share of Arab Bank Switzerland).
- The accompanying interim condensed consolidated financial statements was approved by the Board of Directors in its meeting Number (3) on July 23, 2020.

2. BASIS OF CONSOLIDATION

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

Company Name	Percentage of ownership%		Date of acquisition	Principal Activity	Place of Incorporation	Paid up capital
	June 30, 2020	December 31, 2019				
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 570m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 119.3m
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 50m
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

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020
(REVIEWED NOT AUDITED)

- The interim condensed consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries.
- The interim condensed consolidated financial statements of subsidiaries is prepared using the same accounting policies used by the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.
- The results of operations of the subsidiaries are included in the interim condensed consolidated statement of income effective from the acquisition date, which is the date of transfer of control over the subsidiary by the Group. The results of operations of subsidiaries disposed are included in the interim condensed consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.
- Upon consolidation of the interim condensed consolidated financial statements, inter-Group transactions and balances between Arab Bank plc and Arab Bank (Switzerland) Limited and other subsidiaries are eliminated. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within shareholders' equity in the interim condensed consolidated statement of financial position.

3. BASIS OF PREPARATION, SIGNIFICANT ACCOUNTING ESTIMATES AND POLICIES

- The accompanying interim condensed consolidated financial statements has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".
- The interim condensed consolidated financial statements are prepared in accordance with the historical cost principle, except for certain financial assets and financial liabilities which are stated at fair value as of the date of the interim condensed consolidated financial statements.
- The accompanying interim condensed consolidated financial statements do not include all the information and disclosures required for the annual financial statements, which are prepared in accordance with the International Financial Reporting Standards and must be read with the consolidated financial statements of the Group as of 31 December 2019. In addition, the results of the Group's operations for the six months ended 30 June 2020 do not necessarily represent indications of the expected results for the year ending 31 December 2020, and do not contain the appropriation of the profit of the current period, which is usually performed at year end.

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020
(REVIEWED NOT AUDITED)

Changes in accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended December 31, 2019 except for the adoption of new standards effective as of January 1, 2020 shown below:

Amendments to IFRS 3: Definition of a Business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, the Group does not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. The consolidated financial statements of the group will not be affected by these amendments.

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7

Interest Rate Benchmark Reform Amendments to IFRS 9 and IFRS 7 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of interest rate benchmark reform, there may be uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative risk-free interest rate (an "RFR"). The effective date of the amendments is for annual periods beginning on or after 1 January 2020, with early application permitted. The requirements must be applied retrospectively. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight.

With phase one completed, the IASB is now shifting its focus to consider those issues that could affect financial reporting when an existing interest rate benchmark is replaced with an RFR. This is referred to as phase two of the IASB's project.

The consolidated financial statements of the group will not be affected by these amendments.

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020
(REVIEWED NOT AUDITED)

Use of estimate

Provisions for impairment - ECL

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Group computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs).

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

- **Assessment of Significant Increase in Credit Risk**

To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
2. Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
3. Instruments which are 45 days past due have experienced a significant increase in credit risk. Central Bank of Jordan in its instructions requested to apply 60 days past due for significant increase in credit risk which is subject to decrease to 30 days in 3 years. Arab Bank applies 45 days past due in this regard.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39, as mentioned in the "Definition of default" below.

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020
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- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

The estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

The base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate...). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Due to the recent development and the abnormal situation resulted from COVID-19, an additional downside scenario was used by the management for calculating the ECL for the period ended June 30, 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the period ended 30 June 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weights to the downside scenarios.

Scenarios will be probability-weighted according to the best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED 30 JUNE 2020
(REVIEWED NOT AUDITED)

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

The Group has set out the definition of default where a default is considered to have occurred when either or both of the two following events have taken place:

- The obligor is considered unlikely to pay its credit obligations in full
- The obligor is past due for 90 days or more on any material credit obligation.

- **Expected Life**

When measuring ECL, the Group must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

4. CASH AND BALANCES WITH CENTRAL BANKS

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Cash in vaults	607 966	533 785
Balances with central banks:		
Current accounts	3 340 316	2 378 879
Time and notice	2 436 818	2 776 743
Mandatory cash reserve	1 513 336	1 760 665
Certificates of deposit	572 438	464 546
<u>Less: Net ECL Charges</u>	<u>(92 566)</u>	<u>(8 808)</u>
Total	<u>8 378 308</u>	<u>7 905 810</u>

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.
- Balances and certificates of deposits maturing after three months amounted to USD 71.3 million as of June 30, 2020 (USD 93 million as of December 31, 2019).

The movement of ECL charges on Balances with Central Banks is as follows:

	June 30, 2020 (Reviewed not Audited)			December 31, 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the period \ year	2 792	6 016	-	8 808	1 746
Net ECL Charges for the period/ year	454	83 435	-	83 889	7 033
Adjustments during the period and translation adjustments	(131)	-	-	(131)	29
Balance at the end of the period \ Year	<u>3 115</u>	<u>89 451</u>	<u>-</u>	<u>92 566</u>	<u>8 808</u>

5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Local banks and financial institutions

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Current Accounts	6 253	3 637
Time deposits maturing within 3 months	119 129	169 293
Total	<u>125 382</u>	<u>172 930</u>

Banks and financial institutions abroad

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Current accounts	1 530 863	1 899 046
Time deposits maturing within 3 months	1 956 822	2 132 930
Certificates of deposit maturing within 3 months	-	56 025
Total	<u>3 487 685</u>	<u>4 088 001</u>

Less: Net ECL Charges

	<u>(3 476)</u>	<u>(2 338)</u>
Total balances with banks and financial institutions local and abroad	<u>3 609 591</u>	<u>4 258 593</u>

- There are no non-interest bearing balances as of June 30, 2020 and December 31, 2019.
- There are no restricted balances as of June 30, 2020 and December 31, 2019.

The movement of ECL charges on Balances with Banks & Financial Institutions is as follows:

	June 30, 2020 (Reviewed not Audited)			December 31, 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the Period \ year	2 338	-	-	2 338	1 550
Net ECL Charges for the period / year	1 123	-	-	1 123	773
Adjustments during the period and translation adjustments	15	-	-	15	15
Balance at the end of the period \ year	3 476	-	-	3 476	2 338

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Deposits with Local Banks and Financial Institutions:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	5 822	-
Time deposits maturing after one year	69 026	167 726
Total	74 848	167 726

Deposits with Banks and Financial Institutions Abroad:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	138 665	33 883
Time deposits maturing after 6 months and before 9 months	34 449	57 600
Time deposits maturing after 9 months and before a year	2 523	-
Certificates of deposits maturing after 3 months and before 6 months	56 050	-
Certificates of deposits maturing after 9 months and before a year	-	56 025
Total	231 687	147 508

Less: Net ECL Charges

	(2 309)	(1 678)
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Total deposits with banks and financial institutions Local and Abroad

	304 226	313 556
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- There are no restricted deposits as of June 30, 2020 and December 31, 2019.

The movement of ECL charges on Deposits with Banks & Financial Institutions is as follows:

	June 30, 2020 (Reviewed not Audited)			December 31, 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the Period \ year	1 678	-	-	1 678	2 517
Net ECL Charges for the period/ year	627	-	-	627	(863)
Adjustments during the period and translation adjustments	4	-	-	4	24
Balance at the end of the period \ year	2 309	-	-	2 309	1 678

7- **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Treasury bills and Governmental bonds	107 330	207 411
Corporate bonds	218 450	257 574
Loans and advances	-	29 624
Corporate shares	1 750	1 767
Mutual funds	14 935	22 677
Total	342 465	519 053

8- **FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Quoted shares	117 015	133 480
Unquoted shares	258 699	252 453
Total	375 714	385 933

- Cash dividends from the investments above amounted to USD 4.5 million for the six months period ended June 30, 2020 (USD 6.6 millions for the six months period ended June 30, 2019).

9- DIRECT CREDIT FACILITIES AT AMORTIZED COST

The details of this item are as follows:

	June 30, 2020					Total
	(Reviewed not Audited)					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
USD '000	Small and Medium	Large	USD '000	USD '000	USD '000	
Discounted bills *	70 779	116 176	443 272	194 244	14 577	839 048
Overdrafts *	97 584	1 185 113	3 555 940	4 874	310 926	5 154 437
Loans and advances *	3 414 618	1 836 199	11 805 728	32 626	810 769	17 899 940
Real-estate loans	2 265 170	141 256	200 827	-	-	2 607 253
Credit cards	179 094	-	-	-	-	179 094
Total	6 027 245	3 278 744	16 005 767	231 744	1 136 272	26 679 772
<u>Less:</u> Interest and commission in suspense	85 724	111 024	382 788	57	-	579 593
Provision for impairment - ECL	213 685	256 896	1 332 090	4 966	7 160	1 814 797
Total	299 409	367 920	1 714 878	5 023	7 160	2 394 390
Net Direct Credit Facilities At Amortized Cost	5 727 836	2 910 824	14 290 889	226 721	1 129 112	24 285 382

* Net of interest and commission received in advance which amounted to USD 122.3 million as of June 30,2020.

- Rescheduled loans during the six months period ended June 30,2020 amounted to USD 194.8 million .
- Restructured loans (transferred from non performing to watch list loans) during the six months period ended June 30,2020 amounted to USD 6.7 million.
- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to USD 93.9 million, or 0.4% of total direct credit facilities as of June 30,2020.
- Non-performing direct credit facilities amounted to USD 2123 million, or 8% of total direct credit facilities as of June 30, 2020.
- Non-performing direct credit facilities net of interest and commission in suspense amounted to USD 1559.1 million, or 6% of direct credit facilities after deducting interest and commission in suspense as of June 30,2020.

December 31, 2019

(Audited)

	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	72 273	135 087	495 919	218 956	40 575	962 810
Overdrafts *	111 828	1 258 110	3 340 082	5 044	307 513	5 022 577
Loans and advances *	3 248 797	1 786 258	11 596 328	32 627	707 599	17 371 609
Real-estate loans	2 228 624	165 225	201 243	-	-	2 595 092
Credit cards	182 689	-	-	-	-	182 689
Total	5 844 211	3 344 680	15 633 572	256 627	1 055 687	26 134 777
<u>Less: Interest and commission in suspense</u>	71 191	110 022	359 718	59	-	540 990
Provision for impairment - ECL	165 691	236 333	1 222 169	5 013	3 956	1 633 162
Total	236 882	346 355	1 581 887	5 072	3 956	2 174 152
Net Direct Credit Facilities at Amortized Cost	5 607 329	2 998 325	14 051 685	251 555	1 051 731	23 960 625

* Net of interest and commission received in advance, which amounted to USD 136.2 million as of December 31, 2019.

- Rescheduled loans during the year ended December 31, 2019 amounted to USD 1105.8 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended December 31, 2019 amounted to USD 2.9 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of December 31, 2019 amounted to USD 116.6 million, or 0.5% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2019 amounted to USD 1929.1 million, or 7.4% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of December 31, 2019 amounted to USD 1412.6 million, or 5.5% of direct credit facilities, after deducting interest and commission in suspense.

The details of movement on the provision for impairment of the ECL as of June 30, 2020 are as follows:

	June 30, 2020 (Reviewed not Audited)			
	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	94 539	319 979	1 218 644	1 633 162
Transferred to Stage 1	4 212	(3 509)	(703)	-
Transferred to Stage 2	(3 427)	3 987	(560)	-
Transferred to Stage 3	(700)	(3 040)	3 740	-
Net ECL Charges for the period	41 758	52 252	108 835	202 845
Used from provision (written off or transferred to off interim condensed consolidated statement of financial position)	-	-	(2 150)	(2 150)
Adjustments during the period and translation adjustments	(769)	3 148	(21 439)	(19 060)
Balance at the end of the period	135 613	372 817	1 306 367	1 814 797

The details of movement on the provision for impairment of the ECL as of December 31, 2019 are as follows:

	December 31, 2019 (Audited)			
	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the year	86 435	302 549	1 184 949	1 573 933
Transferred to Stage 1	8 403	(8 367)	(36)	-
Transferred to Stage 2	(2 328)	2 748	(420)	-
Transferred to Stage 3	(681)	(41 470)	42 151	-
Net ECL Charges for the year	(1 067)	62 265	138 697	199 895
Used from provision (written off or transferred to off consolidated statement of financial position)	-	-	(155 893)	(155 893)
Adjustments during the period and translation adjustments	3 777	2 254	9 196	15 227
Balance at the end of the year	94 539	319 979	1 218 644	1 633 162

- There are no provisions no longer required as a result of settlement or repayment, transferred to other non-performing direct credit facilities as of June 30,2020 and December 31, 2019.

- Impairment is assessed based on individual customer accounts.

* Non-performing loans transferred to off interim condensed consolidated statement of financial position amounted to USD 0.4 million as of June 30,2020 (USD 152.6 million as of December 31, 2019) noting that these non-performing direct credit facilities are fully covered by set provisions and suspended interest.

The details of movement on interest and commission in suspense are as follows:

	June 30, 2020					Total
	(Reviewed not Audited)					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
USD '000	Small & Medium	Large	USD '000	USD '000	USD '000	
Balance at the beginning of the period	71 191	110 022	359 718	59	-	540 990
Interest and commissions suspended during the period	9 337	10 693	47 317	-	-	67 347
Interest and commissions in suspense settled / written off or transferred to off condensed consolidated interim statement of financial position	(957)	(180)	(2 490)	-	-	(3 627)
Recoveries	(1 811)	(441)	(13 784)	-	-	(16 036)
Adjustments during the period	8 190	(8 190)	-	-	-	-
Translation adjustments	(226)	(880)	(7 973)	(2)	-	(9 081)
Balance at the End of the Period	85 724	111 024	382 788	57	-	579 593

	December 31, 2019					Total
	(Audited)					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
USD '000	Small & Medium	Large	USD '000	USD '000	USD '000	
Balance at the beginning of the year	73 128	98 914	273 939	7 955	-	453 936
Interest and commissions suspended during the year	18 020	19 913	94 017	1 581	-	133 531
Interest and commissions in suspense settled / written off or transferred to off consolidated statement of financial position	(15 621)	(7 146)	(3 858)	(9,534)	-	(36 159)
Recoveries	(3 561)	(4 095)	(5 256)	-	-	(12 912)
Adjustment during the year	(33)	(190)	166	57	-	-
Translation adjustments	(742)	2 626	710	-	-	2 594
Balance at the End of the Year	71 191	110 022	359 718	59	-	540 990

Classification of direct credit facilities at amortized cost based on the geographical and economic sectors as follows:

	Inside Jordan	Outside Jordan	June 30, 2020	December 31,
			(Reviewed not Audited)	2019 (Audited)
	USD '000	USD '000	USD '000	USD '000
Economic Sector				
Consumer Banking	2 925 546	2 802 290	5 727 836	5 607 329
Industry and mining	1 565 103	3 247 524	4 812 627	4 609 887
Constructions	455 457	1 408 560	1 864 017	1 949 459
Real - Estates	335 217	1 460 652	1 795 869	1 851 056
Trade	1 481 129	2 566 392	4 047 521	4 201 680
Agriculture	156 132	139 369	295 501	357 273
Tourism and Hotels	236 156	323 454	559 610	572 124
Transportations	106 916	220 987	327 903	341 686
Shares	-	11 985	11 985	11 984
General Services	871 623	2 615 057	3 486 680	3 154 861
Banks and Financial Institutions	58 362	168 359	226 721	251 555
Government and Public Sector	189 250	939 862	1 129 112	1 051 731
Net Direct Credit Facilities at amortized Cost	8 380 891	15 904 491	24 285 382	23 960 625

10- OTHER FINANCIAL ASSETS AT AMOTIZED COST

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Treasury bills	2 305 383	2 220 784
Governmental bonds and bonds guaranteed by the government	5 488 064	5 180 877
Corporate bonds	1 241 973	1 533 674
Less: Net ECL Charges	(49 505)	(40 717)
Total	8 985 915	8 894 618

Analysis of bonds based on interest nature:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Floating interest rate	538 941	647 408
Fixed interest rate	8 496 479	8 287 927
Less: Net ECL Charges	(49 505)	(40 717)
Total	8 985 915	8 894 618

Analysis of financial assets based on market quotation:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Financial assets quoted in the market:		
Treasury bills	491 719	663 617
Governmental bonds and bonds guaranteed by the government	1 043 358	988 913
Corporate bonds	1 141 794	1 428 472
Total	2 676 871	3 081 002

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Financial assets unquoted in the market:		
Treasury bills	1 813 664	1 557 167
Governmental bonds and bonds guaranteed by the government	4 444 706	4 191 964
Corporate bonds	100 179	105 202
Total	6 358 549	5 854 333
Less: Net ECL Charges	(49 505)	(40 717)
Grand Total	8 985 915	8 894 618

The movement of ECL charges on Other Financial Assets at Amortized Cost is as follows:

	June 30, 2020 (Reviewed not Audited)			December 31, 2019 (Audited)	
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the period / year	17 153	18 788	4 776	40 717	40 516
Transfer to Stage (1)	-	-	-	-	-
Transfer to Stage (2)	(47)	47	-	-	-
Transfer to Stage (2)	-	-	-	-	-
Net ECL Charges for the period / year	9 191	2 565	(296)	11 460	184
Investments written off	-	-	(3 697)	(3 697)	-
Adjustments during the period and translation adjustments	157	868	-	1 025	17
Balance at the end of the period \ Year	26 454	22 268	783	49 505	40 717

During the six months period ended June 30, 2020 certain financial assets at amortized cost with a total amount of USD 188.5 million were sold (USD 10.2 million during the year ended December 31, 2019).

11- FIXED ASSETS

The additions to and disposals of fixed assets during the six months period ended June 30, 2020 amounted to USD 19.5 million and USD 2 million respectively (USD 33.8 million and USD 10.1 million for the six months period ended June 30, 2019).

The cost of fully depreciated fixed assets amounted to USD 314 million as of June 30, 2020 (USD 293.7 million as of December 31, 2019)

12- OTHER ASSETS

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Accrued interest receivable	248 103	213 108
Prepaid expenses	134 211	100 410
Foreclosed assets *	133 248	121 457
Intangible assets	28 743	29 820
Right-of-use Assets	91 150	98 608
Other miscellaneous assets	277 323	228 888
Total	912 778	792 291

* Central Bank of Jordan instructions require disposal of these assets during a maximum period of two years from the date of foreclosure.

13- CUSTOMERS' DEPOSITS

The details of this item are as follows:

	June 30, 2020				Total
	(Reviewed not Audited)				
	Consumer Banking	Corporates		Government and Public Sector	
	Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	8 953 043	2 240 183	2 049 486	292 065	13 534 777
Savings	3 260 249	80 905	14 515	22 365	3 378 034
Time and notice	9 157 423	1 371 885	4 008 814	1 423 069	15 961 191
Certificates of deposit	445 207	46 420	114 276	26 237	632 140
Total	21 815 922	3 739 393	6 187 091	1 763 736	33 506 142

	December 31, 2019				Total
	(Audited)				
	Consumer Banking	Corporates		Government and Public Sector	
	Small & Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	7 707 130	2 161 544	2 087 225	219 873	12 175 772
Savings	3 139 015	100 503	15 204	10 545	3 265 267
Time and notice	9 302 986	1 128 913	4 914 718	1 763 826	17 110 443
Certificates of deposit	406 515	29 008	119 607	48 383	603 513
Total	20 555 646	3 419 968	7 136 754	2 042 627	33 154 995

- Total Government of Jordan and Jordanian public sector deposits amounted to USD 776.8 millions, or 2.3% of total customer's deposits as of June 30, 2020 (USD 869.8 million, or 2.6% of total customer's deposits as of December 31, 2019).
- Non-interest bearing deposits amounted to USD 12320.2 million, or 36.8% of total customer's deposits as of June 30, 2020 (USD 10968.4 million, or 33.1% of total customer's deposits as of December 31, 2019).
- Blocked deposits amounted to USD 147.1 million, or 0.4% of total customer's deposits as of June 30, 2020 (USD 193.9 million, or 0.6% of total customer's deposits as of December 31, 2019).
- Dormant deposits amounted to USD 393.5 million, or 1.2% of total customer's deposits as of June 30, 2020 (USD 342.1 million, or 1% of total customer's deposits as of December 31, 2019).

14- BORROWED FUNDS

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
From Central Banks	323 971	86 237
From banks and financial institutions	405 053	246 699
Total	729 024	332 936

Analysis of borrowed funds according to interest nature is as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Floating interest rate	372 362	210 210
Fixed interest rate	356 662	122 726
Total	729 024	332 936

15- PROVISION FOR INCOME TAX

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Balance at the beginning of the period / year	345 054	321 490
Income tax expense	122 825	324 983
Income tax paid	(222 660)	(301 419)
Balance at the End of the Period / Year	245 219	345 054

Income tax expense charged to the interim condensed consolidated statement of income consists of the following:

	For the Six-Months	
	June 30, 2020 (Reviewed not Audited)	June 30, 2019 (Reviewed not Audited)
	USD '000	USD '000
Income tax expense for the period	122 825	172 938
Effect of deferred tax	(33 829)	(12 488)
Total	88 996	160 450

- The income tax rate for the banking sector in Jordan is 38% (35% income tax + 3% national contribution tax) , while the income tax rate in the countries where the Group has investments and branches ranges from zero to 38% as of June 30, 2020 and December 31, 2019. The effective tax rate for the Group is 36.9% as June 30, 2020 and 26.1% as of June 30, 2019.
- The subsidiaries and branches of Arab Bank Group have reached recent tax settlements ranging between 2018 such as Arab Bank United Arab Emirates , Arab Bank Egypt and Arab Investment Group Jordan Co, and 2017 such as Arab Bank Palestine.

16- OTHER LIABILITIES

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Accrued interest payable	175 911	211 698
Notes payable	158 293	168 629
Interest and commission received in advance	63 109	75 085
Accrued expenses	87 074	77 471
Dividends payable to shareholders	19 673	20 332
Provision for impairment - ECL of the indirect credit facilities*	68 363	59 213
Lease Contracts Liability	89 539	95 880
Other miscellaneous liabilities	354 731	417 642
Total	1 016 693	1 125 950

*The details of movement on the provision for impairment of the ECL of the indirect credit facilities are as follows:

	June 30, 2020 (Reviewed not Audited)				December 31, 2019 (Audited)
	USD '000	USD '000	USD '000	USD '000	USD '000
	Stage 1	Stage 2	Stage 3	Total	Total
Balance at the beginning of the period \ year	36 152	13 515	9 546	59 213	77 358
Transferred to Stage 1	50	(50)	-	-	-
Transferred to Stage 2	(217)	224	(7)	-	-
Transferred to Stage 3	(1)	(10)	11	-	-
Net ECL Charges for the period / year	5 600	2 788	(16)	8 372	(19 051)
Adjustments during the period and translation Adjustments	844	278	(344)	778	906
Balance at the End of the Period \ Year	42 428	16 745	9 190	68 363	59 213

17- SHARE CAPITAL AND RESERVES

A. Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of June 30, 2020 and December 31, 2019.

B. The Group did not make any appropriation to the legal reserves, in accordance with companies law, in the interim financial information as such appropriations are performed at year end.

18- RETAINED EARNINGS

The details of movement on the retained earnings are as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Balance at the beginning of the Period \ Year	2 584 537	2 192 006
Profit for the period/year attributable to the shareholders of the bank	149 102	844 937
Transferred from investment revaluation reserve to retained earnings	(74)	(2 201)
Dividends paid	-	(417 997)
Transferred to statutory reserve	-	(7 108)
Transferred to general banking risk reserve	16 696	(1 828)
Changes in associates equity	-	(13 724)
Effect of IFRS (16) adoption	-	(5 327)
Adjustment during the period/ year	(3 255)	(4 221)
Balance at the End of the Period / Year	2 747 006	2 584 537

* According to Central Bank of Jordan Memo no. 1/1/4693 dated 9 April 2020, Arab Bank did not distribute dividends for the year 2019 (The General Assembly of Arab Bank plc in its meeting held on March 28, 2019 approved the recommendation of the Bank's Board of Directors to distribute 45% of par value as cash dividends for the year 2018 equivalent to USD 406.6 million).

19- INTEREST INCOME

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	June 30, 2019 (Reviewed not Audited)
	USD '000	USD '000
Direct credit facilities at amortized cost	761 754	850 326
Balances with central banks	26 064	53 632
Balances and deposits with banks and financial institutions	28 558	43 589
Financial assets at fair value through profit or loss	9 337	9 138
Other financial assets at amortized cost	257 335	254 663
Total	1 083 048	1 211 348

20- INTEREST EXPENSE

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	June 30, 2019 (Reviewed not Audited)
	USD '000	USD '000
Customers' deposits	373 660	445 140
Banks and financial institutions deposits	40 622	54 063
Cash margins	25 001	29 229
Borrowed funds	6 694	5 147
Deposit insurance fees	13 650	12 254
Total	459 627	545 833

21- NET COMMISSION INCOME

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	June 30, 2019 (Reviewed not Audited)
	USD '000	USD '000
Commission income:		
Direct credit facilities at amortized cost	38 684	47 262
Indirect credit facilities	55 662	59 276
Assets Under Management	10 877	9 384
Other	52 983	55 111
Less: commission expense	<u>(23 935)</u>	<u>(23 122)</u>
Net Commission Income	<u>134 271</u>	<u>147 911</u>

22- GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)				June 30, 2019 (Reviewed not Audited)
	Realized Gains	Unrealized Gains	Dividends	Total	Total
	USD '000	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	2 747	105	-	2 852	1 415
Corporate shares	-	(16)	-	(16)	11
Mutual funds	-	(620)	-	(620)	750
Total	<u>2 747</u>	<u>(531)</u>	<u>-</u>	<u>2 216</u>	<u>2 176</u>

23- OTHER REVENUE

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	June 30, 2019 (Reviewed not Audited)
	USD '000	USD '000
Revenue from customer services	7 035	7 400
Safe box and other rentals	1 828	1 873
(Loss) from derivatives	(787)	(550)
Miscellaneous revenue	14 517	12 993
Total	<u>22 593</u>	<u>21 716</u>

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24. BUSINESS SEGMENTS

The Group has an integrated group of products and services dedicated to serve the Group's customers and constantly developed in response to the ongoing changes in the banking business environment, and related state-of-the-art tools used by the executive management in the group.

The following is a summary of these groups' activities stating their business nature and future plans:

1. Corporate and Institutional Banking

This group provides banking services and finances with the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury

This group is considered as a source of financing for the Group, in general, and for the strategic business units, in particular. It steers the financing of the Group and manages both the Group's cash liquidity and market risks.

Moreover, this group is responsible for the management of the Group's assets and liabilities within the frame set by the Assets and Liabilities Committee.

This group is considered the main source in determining the internal transfer prices within the Group's departments, in addition to be a central unit for the financial organization and main dealing in the following:

- Foreign exchange.
- Foreign exchange derivatives.
- Money markets.
- Certificates of deposit.
- Interest rate swaps.
- Other various derivatives.

3. Consumer Banking

This group provides banking services to individuals and high-net worth elite customers, and endeavors to meet their financial service needs using the best methods, through effective distribution channels, and a variety of product services. Moreover, this group is in direct and close contact with the customers in order to provide them with timely and continuous services through different electronic channels such as direct phone calls, ATMs, the internet and text messaging via cellular phones.

Information about the Group's Business Segments

	June 30, 2020 (Reviewed not Audited)					June 30, 2019 (Reviewed not Audited)	
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total	Total
			Elite	Retail Banking			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	460 539	308 522	(72 402)	122 712	170 632	990 003	1 131 036
Net inter-segment interest income	(69 872)	(169 949)	166 327	73 494	-	-	-
Less :Provision for impairment - ECL	176 497	97 504	4 177	30 138	-	308 316	85 088
Less :Other provisions	4 945	1 597	1 110	4 814	-	12 466	12 557
Less :Direct administrative expenses	62 711	9 898	14 309	85 611	4 706	177 235	178 060
Result of Operations of Segments	146 514	29 574	74 329	75 643	165 926	491 986	855 331
Less :Indirect expenses on segments	105 231	33 387	28 397	82 686	1 186	250 887	241 671
Profit for the Period before Income Tax	41 283	(3 813)	45 932	(7 043)	164 740	241 099	613 660
Less :Income tax expense	15 238	(1 407)	16 955	(2 600)	60 810	88 996	160 450
Profit for the Period	26 045	(2 406)	28 977	(4 443)	103 930	152 103	453 210
Depreciation and Amortization	9 070	2 569	2 785	14 944	-	29 368	31 323

Other Information	June 30, 2020 (Reviewed not Audited)					December 31, 2019 (Audited)	
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	Total	Total
			Elite	Retail Banking			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Segment assets	18 614 002	18 995 487	3 669 985	4 886 173	1 770 128	47 935 775	47 701 193
Inter-segment assets	-	-	11 842 593	2 995 076	6 040 740	-	-
Investments in associates	-	-	-	-	3 644 081	3 644 081	3 513 651
Total Assets	18 614 002	18 995 487	15 512 578	7 881 249	11 454 949	51 579 856	51 214 844
Segment liabilities	13 743 080	2 988 000	15 512 578	7 881 249	2 229 718	42 354 625	42 112 393
Shareholders' Equity	-	-	-	-	9 225 231	9 225 231	9 102 451
Inter-segment liabilities	4 870 922	16 007 487	-	-	-	-	-
Total Liabilities and Shareholders' Equity	18 614 002	18 995 487	15 512 578	7 881 249	11 454 949	51 579 856	51 214 844

25- MATURITY OF THE CONTINGENT ACCOUNTS

The table below details the maturity of expected liabilities and commitments on the basis of maturity:

June 30, 2020				
(Reviewed not Audited)				
	Within 1 Year	From 1 Year and up to 5 Years	More than 5 Years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1 382 760	31 840	-	1 414 600
Acceptances	645 417	10 636	-	656 053
Letters of guarantees:				
- Payment guarantees	904 445	85 537	84 333	1 074 315
- Performance guarantees	3 393 591	1 404 127	241 166	5 038 884
- Other guarantees	2 526 670	592 590	28 905	3 148 165
Unutilized credit facilities	4 103 475	298 860	26 451	4 428 786
Total	12 956 358	2 423 590	380 855	15 760 803
Construction projects contracts	3 336	-	-	3 336
Procurement contracts	5 391	1 950	1 638	8 979
Total	8 727	1 950	1 638	12 315
December 31, 2019				
(Audited)				
	Within 1 Year	From 1 Year and up to 5 Years	More than 5 Years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1 662 582	36 487	-	1 699 069
Acceptances	761 198	5 865	-	767 063
Letters of guarantees:				
- Payment guarantees	1 445 287	114 634	93 023	1 652 944
- Performance guarantees	3 611 661	1 415 474	164 239	5 191 374
- Other guarantees	2 713 430	401 265	25 683	3 140 378
Unutilized credit facilities	4 275 911	406 747	28 038	4 710 696
Total	14 470 069	2 380 472	310 983	17 161 524
Construction projects contracts	3 752	-	-	3 752
Procurement contracts	8 044	2 620	1 906	12 570
Total	11 796	2 620	1 906	16 322

26. CREDIT EXPOSURE FOR ASSETS CATEGORIZED BY GEOGRAPHICAL REGION:

The details for this items are as follows:

June 30, 2020
(Reviewed not Audited)

	Jordan	Other Arab Countries	Asia *	Europe	America	Rest of the World	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balances with central banks	2 767 259	3 267 873	1 068	1 725 043	-	9 099	7 770 342
Balances and deposits with banks and financial institutions	199 401	1 239 161	322 520	1 454 525	601 423	96 787	3 913 817
Financial assets at fair value through profit or loss	-	94 170	20 532	205 018	-	6 060	325 780
Direct credit facilities at amortized cost	8 380 891	13 782 150	267 335	1 119 208	10 301	725 497	24 285 382
Consumer Banking	2 925 546	2 378 816	16	128 390	2	295 066	5 727 836
Small and Medium Corporates	904 466	1 413 011	23 305	378 235	5 537	186 270	2 910 824
Large Corporates	4 303 267	8 967 319	243 389	527 991	4 762	244 161	14 290 889
Banks and Financial Institutions	58 362	167 194	625	540	-	-	226 721
Government and Public Sector	189 250	855 810	-	84 052	-	-	1 129 112
Other financial assets at amortized cost	4 105 613	4 022 511	87 545	410 455	104 391	255 400	8 985 915
Other assets and financial derivatives - positive fair value	106 904	288 227	2 491	77 611	2 296	8 154	485 683
Total	15 560 068	22 694 092	701 491	4 991 860	718 411	1 100 997	45 766 919
Total as of December 31, 2019 (Audited)	15 388 603	22 551 532	864 029	4 611 622	1 122 361	1 123 609	45 661 756

* Excluding Arab Countries.

27. CREDIT EXPOSURE FOR ASSETS CATEGORIZED BY ECONOMIC SECTOR

The details for this items are as follows:

June 30, 2020 (Reviewed not Audited)													
	Consumer Banking	Corporations								Banks and Financial Institutions	Government and Public Sector	Total	
	USD '000	Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares	General Services	USD '000	USD '000	USD '000
Balances with central banks	-	-	-	-	-	-	-	-	-	-	-	7 770 342	7 770 342
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	3 913 817	-	3 913 817
Financial assets at fair value through profit or loss	-	14 711	-	-	-	-	-	-	-	-	203 739	107 330	325 780
Direct credit facilities at amortized cost	5 727 836	4 812 627	1 864 017	1 795 869	4 047 521	295 501	559 610	327 903	11 985	3 486 680	226 721	1 129 112	24 285 382
Other financial assets at amortized cost	-	50 143	-	6 809	-	-	-	-	-	160 828	1 020 435	7 747 700	8 985 915
Other assets & Financial Derivatives - positive fair value	47 720	34 197	10 394	7 065	35 454	1 902	3 431	6 838	-	70 938	106 176	161 568	485 683
Total	5 775 556	4 911 678	1 874 411	1 809 743	4 082 975	297 403	563 041	334 741	11 985	3 718 446	5 470 888	16 916 052	45 766 919
Total as of December 31, 2019 (Audited)	5 623 802	4 749 338	1 963 260	1 864 346	4 230 169	358 643	574 675	376 120	11 984	3 367 976	6 373 184	16 168 259	45 661 756

28- CAPITAL MANAGEMENT

The Group manages its capital to safeguard its ability to continue its operating activities while maximizing the return to shareholders. The composition of the regulatory capital, as defined by Basel III standards is as follows:

	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Common Equity Tier 1	8 860 894	8 543 121
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(3 168 740)	(3 036 069)
Additional Tier 1	359	437
Supplementary Capital	437 253	395 519
Regulatory Capital	6 129 766	5 903 008
Risk-weighted assets (RWA)	36 434 797	36 460 222
Common Equity Tier 1 Ratio	%15.62	%15.10
Tier 1 Capital Ratio	%15.62	%15.11
Capital Adequacy Ratio	%16.82	%16.19

- The Board of Directors performs an overall review of the capital structure of the Group on a quarterly basis. As part of this review, the Board takes into consideration matters such as cost and risks of capital as integral factors in managing capital through setting dividend policies and capitalization of reserves.

29. Fair Value Hierarchy

Financial Instruments are either financial assets or financial liabilities

The Group uses the following methods and alternatives of valuating and presenting the fair value of financial instruments:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

A. Fair Value of the Group financial assets and financial liabilities measured at fair value on a recurring basis.

Some financial assets and financial liabilities are measured at fair value at the end of each reporting period, the following note illustrates how the fair value is determined (Valuation techniques and key inputs)

Financial Assets /Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
	June 30, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)				
	USD '000	USD '000				
Financial Assets at Fair Value						
Financial assets at fair value through profit or loss:						
Treasuring bills and Bonds	107 330	207 411	Level 1	Quoted Shares	Not Applicable	Not Applicable
Corporate Bonds	218 450	257 574	Level 1	Quoted Shares	Not Applicable	Not Applicable
Loans and Advances	-	29 624	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	16 685	24 444	Level 1	Quoted Shares	Not Applicable	Not Applicable
Total Financial Assets at Fair Value through Profit or Loss	342 465	519 053				
Financial derivatives - positive fair value	103 369	54 212	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	117 015	133 480	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	258 699	252 453	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total financial assets at fair value through other comprehensive income	375 714	385 933				
Total Financial Assets at Fair Value	821 548	959 198				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	146 843	75 887	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	146 843	75 887				

There were no transfers between Level 1 and 2 during the six months period ended June 30, 2020 and the year 2019.

B. Fair value of the Group financial assets and financial liabilities that are not measured at fair value on a recurring basis.

Except as detailed in the following table, we believe that the carrying amounts of financial assets and financial liabilities recognized in the banks financial statements approximate their fair values:

	June 30, 2020 (Reviewed not Audited)		December 31, 2019 (Audited)		Fair Value Hierarchy
	Book value	Fair value	Book value	Fair value	
	USD '000	USD '000	USD '000	USD '000	
Financial assets not calculated at fair value					
Mandatory cash reserve, Time and notice balances and Certificates of deposit with central banks	4 430 026	4 431 201	4 993 146	4 994 782	Level 2
Balances and deposits with banks and financial institutions	3 913 817	3 917 401	4 572 149	4 575 696	Level 2
Direct credit facilities at amortized cost	24 285 382	24 415 505	23 960 625	24 034 879	Level 2
Other financial assets at amortized cost	8 985 915	9 079 274	8 894 618	8 996 983	Level 1 & 2
Total financial assets not calculated at fair value	41 615 140	41 843 381	42 420 538	42 602 340	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	4 120 688	4 131 856	3 761 895	3 774 410	Level 2
Customer deposits	33 506 142	33 630 718	33 154 995	33 297 984	Level 2
Cash margin	2 352 612	2 361 743	3 082 753	3 097 979	Level 2
Borrowed funds	729 024	732 733	332 936	338 201	Level 2
Total financial liabilities not calculated at fair value	40 708 466	40 857 050	40 332 579	40 508 574	

The fair values of the financial assets and financial liabilities included in level 2 categories above have been determined in accordance with the generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

30- EARNINGS PER SHARE ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS

The details of this item are as follows:

	For the Six-Months Period Ended June 30,		For the Three-Months Period Ended June 30,	
	2020	2019	2020	2019
	USD '000	USD '000	USD '000	USD '000
Profit for the period attributable to the Bank's shareholders	149 102	455 405	4 148	225 193
	Thousand / Shares		Thousand / Shares	
Average number of shares	640 800	640 800	640 800	640 800
	USD / Share		USD / Share	
Earnings Per Share for the period (Basic and diluted)	0.23	0.71	0.01	0.35

31- CASH AND CASH EQUIVALENTS

The details of this item are as follows:

	June 30, 2020 (Reviewed not Audited)	June 30, 2019 (Reviewed not Audited)
	USD '000	USD '000
Cash and balances with central banks maturing within 3 months	8 399 600	6 922 254
<u>Add:</u> Balances with banks and financial institutions maturing within 3 months	3 613 067	2 922 460
<u>Less:</u> Banks and financial institutions deposits maturing within 3 months	2 975 589	2 828 800
Total	9 037 078	7 015 914

32. RELATED PARTIES TRANSACTIONS

The details of the balances with related parties are as follows:

	June 30, 2020 (Reviewed not Audited)			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	USD '000	USD '000	USD '000	USD '000
Associated Companies	124 984	-	47 411	59 063
Major Shareholders and Members of the Board of Directors	-	280 937	516 481	109 988
Total	124 984	280 937	563 892	169 051

	December 31, 2019 (Audited)			
	Deposits owed from Related Parties	Direct Credit Facilities at Amortized Cost	Deposits owed to Related Parties	LCs, LGs, Unutilized Credit Facilities and Acceptances
	USD '000	USD '000	USD '000	USD '000
Associated Companies	372 918	-	55 768	67 888
Major Shareholders and Members of the Board of Directors	-	268 698	633 541	83 469
Total	372 918	268 698	689 309	151 357

- All facilities granted to related parties are performing loans in accordance with the internal credit rating of the Group.

The details of transactions with related parties are as follows:

	June 30, 2020 (Reviewed not Audited)	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated Companies	1 445	878

	June 30, 2019 (Reviewed not Audited)	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated Companies	2 009	351

- Direct credit facilities granted to top management personnel amounted to USD 2.1 million and indirect credit facilities amounted to USD 217.1 thousand as of June 30, 2020 (USD 2.3 million direct credit facilities and USD 217.1 thousand indirect credit facilities as of December 31, 2019).

- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.

- Deposits of key management personnel amounted to USD 5.3 million as of June 30, 2020 (USD 4.4 million as of December 31, 2019).

- The salaries and other fringe benefits of the Group's top management personnel, inside and outside Jordan, amounted to USD 37.4 million for the six months period ended June 30, 2020 (USD 35.3 million for the six months period ended June 30, 2019).

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33. Legal Cases

There are lawsuits filed against the Group totaling USD 229.4 million as of 30 June 2020, (USD 210.8 million as of 31 December 2019). In the opinion of the management and the lawyers representing the Group in the litigations at issue, the provisions taken in connection with the lawsuits are adequate.

34. Comparative Figures

Some of the comparative figures for the year 2019 have been reclassified to correspond with the period ended 30 June 2020 presentation, and it did not result in any change to the last year's operating results.