

ARAB BANK GROUP

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

(Reviewed not Audited)

**FOR THE THREE-MONTHS PERIOD ENDED
31 MARCH 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 31 March 2020, comprising of the interim consolidated statement of financial position as of 31 March 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 three-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
14 May 2020

ARAB BANK GROUP
INTERIM CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

	Notes	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
		USD '000	USD '000
<u>ASSETS</u>			
Cash and balances with central banks	4	7 456 323	7 905 810
Balances with banks and financial institutions	5	3 518 973	4 258 593
Deposits with banks and financial institutions	6	511 538	313 556
Financial assets at fair value through profit or loss	7	307 577	519 053
Financial derivatives - positive fair value		140 302	54 212
Direct credit facilities at amortized cost	9	23 969 581	23 960 625
Financial assets at fair value through other comprehensive income	8	373 769	385 933
Other financial assets at amortized cost	10	9 391 785	8 894 618
Investments in associates		3 532 511	3 513 651
Fixed assets	11	456 698	461 117
Other assets	12	853 902	792 291
Deferred tax assets		157 290	155 385
Total Assets		50 670 249	51 214 844
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
Banks and financial institutions' deposits		4 095 002	3 761 895
Customers' deposits	13	32 485 132	33 154 995
Cash margin		2 749 608	3 082 753
Financial derivatives - negative fair value		129 184	75 887
Borrowed funds	14	445 780	332 936
Provision for income tax	15	308 428	345 054
Other provisions		230 157	226 521
Other liabilities	16	1 059 177	1 125 950
Deferred tax liabilities		6 698	6 402
Total Liabilities		41 509 166	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		238 952	238 952
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve		(278 387)	(252 925)
Investments revaluation reserve		(364 735)	(298 403)
Retained earnings	18	2 728 466	2 584 537
Total Equity Attributable to the Shareholders of the Bank		9 063 308	9 011 173
Non-controlling interests		97 775	91 278
Total Shareholders' Equity		9 161 083	9 102 451
Total Liabilities and Shareholders' Equity		50 670 249	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 Three-Months	
		Period Ended March 31,	
		2020	2019
		USD '000	USD '000
REVENUE			
Interest income	19	583 472	602 331
<u>Less: interest expense</u>	20	249 227	269 915
Net Interest Income		334 245	332 416
Net commission income	21	70 634	71 405
Net Interest and Commission Income		404 879	403 821
Foreign exchange differences		30 234	31 054
Gain from financial assets at fair value through profit or loss	22	993	1 787
Dividends from financial assets at fair value through other comprehensive income		3 491	3 554
Group's share of profits of associates		107 072	107 602
Other revenue / Net	23	12 968	10 833
Total Income		559 637	558 651
EXPENSES			
Employees' expenses		129 302	122 264
Other expenses		71 445	72 396
Depreciation and amortization		14 729	14 454
Provision for impairment - ECL		140 493	31 894
Other provisions		7 181	4 857
Total Expenses		363 150	245 865
Profit for the Period before Income Tax		196 487	312 786
<u>Less: Income tax expense</u>	15	48 894	81 016
Profit for the Period		147 593	231 770
<u>Attributable to :</u>			
- Bank's shareholders		144 954	230 212
- Non-controlling interests		2 639	1 558
Total		147 593	231 770
Earnings per share attributable to the Bank's shareholders			
- Basic and Diluted (US Dollars)	30	0.23	0.36

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 Three-Months	
	Period Ended March 31,	
	2020	2019
	USD '000	USD '000
Profit for the period	147 593	231 770
<u>Add: Other comprehensive income items - after tax</u>		
<u>Items that will be subsequently transferred to the statement of Income</u>		
Exchange differences arising from the translation of foreign operations	(21 890)	(13 629)
<u>Items that will not be subsequently transferred to the statement of Income</u>		
Net change in fair value of financial assets at fair value through other comprehensive income	(67 024)	10 910
Revaluation (loss) gain on equity instruments at fair value through other comprehensive income	(66 046)	11 760
Loss from sale of financial assets at fair value through other comprehensive income	(978)	(850)
Total Other Comprehensive Income Items - after Tax	(88 914)	(2 719)
Total Comprehensive Income for the Period	58 679	229 051
Attributable to :		
- Bank's shareholders	52 135	229 161
- Non-controlling interests	6 544	(110)
Total	58 679	229 051

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	Non-Controlling Interests	Total
											Attributable to the Shareholders of the Bank		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 Three-Months Period Ended March 31, 2020													
Balance at the beginning of the Period	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
Profit for the period	-	-	-	-	-	-	-	-	-	144 954	144 954	2 639	147 593
Other comprehensive income for the period	-	-	-	-	-	-	-	(25 462)	(67 357)	-	(92 819)	3 905	(88 914)
Total Comprehensive Income for the Period	-	-	-	-	-	-	-	(25 462)	(67 357)	144 954	52 135	6 544	58 679
Transferred from investments revaluation reserve to retained earnings	18	-	-	-	-	-	-	-	1 025	(1 025)	-	-	-
Investments revaluation reserve transferred to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	(47)	(47)
Balance at the End of the Period	926 615	1 225 747	926 615	977 315	1 141 824	238 952	1 540 896	(278 387)	(364 735)	2 728 466	9 063 308	97 775	9 161 083
For the Three-Months Period Ended March 31, 2019													
Balance at the beginning of the period	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
Effect of IFRS (16) adoption	-	-	-	-	-	-	-	-	-	(6 074)	(6 074)	-	(6 074)
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)	2 185 932	8 567 478	91 037	8 658 515
Profit for the period	-	-	-	-	-	-	-	-	-	230 212	230 212	1 558	231 770
Other comprehensive income for the period	-	-	-	-	-	-	-	(12 491)	11 440	-	(1 051)	(1 668)	(2 719)
Total Comprehensive Income for the Period	-	-	-	-	-	-	-	(12 491)	11 440	230 212	229 161	(110)	229 051
Transferred from investments revaluation reserve to retained earnings	-	-	-	-	-	-	-	-	850	(850)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(417 997)	(417 997)	-	(417 997)
Changes in associates' equity	-	-	-	-	-	-	-	-	-	(8 427)	(8 427)	-	(8 427)
Balance at the End of the Period	926 615	1 225 747	919 507	977 315	1 141 824	237 124	1 540 896	(277 142)	(310 541)	1 988 870	8 370 215	90 927	8 461 142

* The retained earnings include restricted deferred tax assets in the amount of USD 157.3 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 March 31, 2020.

* The Bank cannot use a restricted amount of USD (364.7) 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 March 31, 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 Three-Months Period Ended March 31,	
		2020	2019
		USD '000	USD '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit for the period before tax		196 487	312 786
Adjustments for:			
Group's share of profits of associates		(107 072)	(107 602)
Depreciation and amortization		14 729	14 454
Expected credit losses on financial assets		140 493	31 894
Net accrued interest		(2 506)	15 586
(Gain) from sale of fixed assets		(291)	(850)
Dividends on financial assets at fair value through other comprehensive income		(3 491)	(3 554)
Loss (gain) from revaluation of financial assets at fair value through profit or loss	22	1 654	(459)
Other provisions		7 181	4 857
Total		247 184	267 112
<u>(Increase) decrease in assets:</u>			
Balances with central banks (maturing after 3 months)		27 083	(42 062)
Deposits with banks and financial institutions (maturing after 3 months)		(201 119)	(11 006)
Direct credit facilities at amortized cost		(87 352)	60 215
Financial assets at fair value through profit or loss		209 822	98 315
Other assets and financial derivatives		(162 500)	(131 669)
<u>Increase (decrease) in liabilities:</u>			
Banks' and financial institutions' deposits (maturing after 3 months)		512 785	832 960
Customer's deposits		(669 863)	(612 061)
Cash margin		(333 145)	(27 758)
Other liabilities and financial derivatives		62 306	(7 302)
Net Cash Flows (Used in) from Operating Activities before Income Tax		(394 799)	426 744
Income tax paid	15	(87 379)	(82 685)
Net Cash Flows (Used in) from Operating Activities		(482 178)	344 059
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Purchase) sale of financial assets at fair value through other comprehensive income		(54 939)	13 732
(Purchase) maturity of other financial assets at amortized cost		(514 408)	103 954
(Increase) of investments in associates		-	(600)
Dividends received from associates		27 524	25 417
Dividends received from financial assets at fair value through other comprehensive income		3 491	3 554
Purchase of fixed assets - net		(10 310)	(17 275)
Net Cash Flows (Used in) from Investing Activities		(548 642)	128 782
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in (paid) borrowed funds		112 844	(10 858)
Dividends paid to shareholders		(593)	(622)
Net Cash Flows from (used in) Financing Activities		112 251	(11 480)
Net (decrease) Increase in cash and cash equivalents		(918 569)	461 361
Exchange differences - change in foreign exchange rates		(25 461)	(12 491)
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	7 871 089	7 816 300
Operational Cash Flows form Interest			
Interest Paid		266 777	249 665
Interest Received		598 516	597 667

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 THREE-MONTHS PERIOD ENDED 31 MARCH 2019
(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 127 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 financial statements was approved by the Board of Directors in its meeting Number (2) on May 13, 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
	March 31, 2020	31 December 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 THREE-MONTHS PERIOD ENDED 31 MARCH 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 three months ended 31 March 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 THREE-MONTHS PERIOD ENDED 31 MARCH 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 Group was 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.

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020
(REVIEWED NOT AUDITED)

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 Group was not be affected by these amendments.

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).

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020
(REVIEWED NOT AUDITED)

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.

- **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.

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(REVIEWED NOT AUDITED)

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 developments 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 March 31, 2020. Accordingly, the Bank has updated the macroeconomic factors used for calculating the ECL for the period ended 31 March 2020 in addition to changing the probability of weights assigned to the macroeconomic scenarios by giving higher weight 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.

- **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:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Cash in vaults	824 513	533 785
Balances with central banks:		
Current accounts	2 583 059	2 378 879
Time and notice	2 092 318	2 776 743
Mandatory cash reserve	1 690 352	1 760 665
Certificates of deposit	313 030	464 546
Less: Net ECL Charges	(46 949)	(8 808)
Total	7 456 323	7 905 810

- 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 66 million as of March 31, 2020 (USD 93 million as of December 31, 2019).

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

	March 31, 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	309	37 967	-	38 276	7 033
Adjustments during the period and Translation adjustments	(135)	-	-	(135)	29
Balance at the end of the period \ Year	2 966	43 983	-	46 949	8 808

5. BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Local banks and financial institutions

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Current Accounts	4 555	3 637
Time deposits maturing within 3 months	167 974	169 293
Total	172 529	172 930

Banks and financial institutions abroad

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Current accounts	1 334 474	1 899 046
Time deposits maturing within 3 months	2 014 346	2 132 930
Certificates of deposit maturing within 3 months	-	56 025
Total	3 348 820	4 088 001
Less: Net ECL Charges	(2 376)	(2 338)
Total balances with banks and financial institutions local and abroad	3 518 973	4 258 593

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

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

	March 31, 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	35	-	-	35	773
Adjustments during the period and Translation adjustments	3	-	-	3	15
Balance at the end of the period \ year	2 376	-	-	2 376	2 338

6. DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

The details of this item are as follows:

Deposits with Local Banks and Financial Institutions:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Time deposits maturing after one year	167 726	167 726
Total	167 726	167 726

Deposits with Banks and Financial Institutions Abroad:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Time deposits maturing after 3 months and before 6 months	259 621	33 883
Time deposits maturing after 6 months and before 9 months	-	57 600
Time deposits maturing after 9 months and before a year	34 001	-
Certificates of deposits maturing after 6 months and before 9 months	55 005	-
Certificates of deposits maturing after 9 months and before a year	-	56 025
Total	348 627	147 508
Less: Net ECL Charges	(4 815)	(1 678)
Total deposits with banks and financial institutions Local and Abroad	511 538	313 556

- There are no restricted deposits as of March 31, 2020 and December 31, 2019.

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

	March 31, 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	3 139	-	-	3 139	(863)
Adjustments during the period and Translation adjustments	(2)	-	-	(2)	24
Balance at the end of the period \ year	4 815	-	-	4 815	1 678

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

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Treasury bills and Governmental bonds	71 285	207 411
Corporate bonds	218 214	257 574
Loans and advances	-	29 624
Corporate shares	1 803	1 767
Mutual funds	16 275	22 677
Total	307 577	519 053

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

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Quoted shares	125 570	133 480
Unquoted shares	248 199	252 453
Total	373 769	385 933

- Cash dividends from the investments above amounted to USD 3.5 million for the three months period ended March 31, 2020 (USD 3.6 millions for the three months period ended March 31, 2019).

9- DIRECT CREDIT FACILITIES AT AMORTIZED COST

The details of this item are as follows:

	March 31, 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 *	83 304	113 152	467 529	258 994	36 534	959 513
Overdrafts *	116 500	1 276 529	3 355 057	5 236	268 008	5 021 330
Loans and advances *	3 425 351	1 693 091	11 553 848	35 277	761 410	17 468 977
Real-estate loans	2 224 574	146 741	200 636	-	-	2 571 951
Credit cards	197 990	-	-	-	-	197 990
Total	6 047 719	3 229 513	15 577 070	299 507	1 065 952	26 219 761
<u>Less: Interest and commission in suspense</u>	80 197	106 237	363 617	53	-	550 104
Provision for impairment - ECL	192 521	226 645	1 270 473	5 204	5 233	1 700 076
Total	272 718	332 882	1 634 090	5 257	5 233	2 250 180
Net Direct Credit Facilities At Amortized Cost	5 775 001	2 896 631	13 942 980	294 250	1 060 719	23 969 581

* Net of interest and commission received in advance which amounted to USD 130 million as of March 31,2020.

- Rescheduled loans during the three months period ended March 31,2020 amounted to USD 89.7 million .
- Restructured loans (transferred from non performing to watch list loans) during the three months period ended March 31,2020 amounted to USD 2.4 million.
- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to USD 42.3 million, or 0.2% of total direct credit facilities as of March 31,2020.
- Non-performing direct credit facilities amounted to USD 1982.7 million, or 7.6% of total direct credit facilities as of March 31, 2020.
- Non-performing direct credit facilities net of interest and commission in suspense amounted to USD 1445.9 million, or 5.6% of direct credit facilities after deducting interest and commission in suspense as of March 31,2020.

December 31, 2019

(Audited)

	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	Small and Medium USD '000	Large 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 March 31, 2020 are as follows:

	March 31, 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	639	(302)	(337)	-
Transferred to Stage 2	(2 430)	2 704	(274)	-
Transferred to Stage 3	(67)	(2 564)	2 631	-
Net ECL Charges for the period	25 615	29 231	23 550	78 396
Used from provision (written off or transferred to off interim condensed consolidated statement of financial position)	-	-	(1 615)	(1 615)
Adjustments during the period and translation adjustments	(276)	(487)	(9 104)	(9 867)
Balance at the end of the period	118 020	348 561	1 233 495	1 700 076

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 March 31,2020 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 0.18 million as of March 31,2020 (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:

	March 31, 2020 (Reviewed not Audited)					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	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	4 702	4 320	23 151	-	-	32 173
Interest and commissions in suspense settled / written off or transferred to off condensed consolidated interim statement of financial position	(866)	(68)	(2 139)	-	-	(3 073)
Recoveries	(1 552)	(197)	(11 288)	-	-	(13 037)
Adjustments during the period	7 006	(7 006)	-	-	-	-
Translation adjustments	(284)	(834)	(5 825)	(6)	-	(6 949)
Balance at the End of the Period	80 197	106 237	363 617	53	-	550 104

	December 31, 2019 (Audited)					
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total
		Small & Medium	Large			
	USD '000	USD '000	USD '000	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:

Economic Sector	Inside Jordan	Outside Jordan	March 31, 2020	December 31, 2019
			(Reviewed not Audited)	(Audited)
	USD '000	USD '000	USD '000	USD '000
Consumer Banking	2 931 599	2 843 402	5 775 001	5 607 329
Industry and mining	1 544 075	2 952 991	4 497 066	4 609 887
Constructions	444 643	1 405 988	1 850 631	1 949 459
Real - Estates	337 177	1 416 256	1 753 433	1 851 056
Trade	1 383 519	2 982 744	4 366 263	4 201 680
Agriculture	153 176	168 890	322 066	357 273
Tourism and Hotels	228 422	323 874	552 296	572 124
Transportations	105 173	227 574	332 747	341 686
Shares	-	11 985	11 985	11 984
General Services	782 390	2 370 734	3 153 124	3 154 861
Banks and Financial Institutions	72 110	222 140	294 250	251 555
Government and Public Sector	137 522	923 197	1 060 719	1 051 731
Net Direct Credit Facilities at amortized Cost	8 119 806	15 849 775	23 969 581	23 960 625

10- OTHER FINANCIAL ASSETS AT AMOTIZED COST

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Treasury bills	2 759 453	2 220 784
Governmental bonds and bonds guaranteed by the government	5 303 525	5 180 877
Corporate bonds	1 383 093	1 533 674
<u>Less: Net ECL Charges</u>	<u>(54 286)</u>	<u>(40 717)</u>
Total	<u>9 391 785</u>	<u>8 894 618</u>

Analysis of bonds based on interest nature:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Floating interest rate	964 274	647 408
Fixed interest rate	8 481 797	8 287 927
<u>Less: Net ECL Charges</u>	<u>(54 286)</u>	<u>(40 717)</u>
Total	<u>9 391 785</u>	<u>8 894 618</u>

Analysis of financial assets based on market quotation:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Financial assets quoted in the market:		
Treasury bills	703 797	663 617
Governmental bonds and bonds guaranteed by the government	1 046 235	988 913
Corporate bonds	1 288 542	1 428 472
Total	<u>3 038 574</u>	<u>3 081 002</u>

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Financial assets unquoted in the market:		
Treasury bills	2 055 656	1 557 167
Governmental bonds and bonds guaranteed by the government	4 257 290	4 191 964
Corporate bonds	94 551	105 202
Total	<u>6 407 497</u>	<u>5 854 333</u>
<u>Less: Net ECL Charges</u>	<u>(54 286)</u>	<u>(40 717)</u>
Grand Total	<u>9 391 785</u>	<u>8 894 618</u>

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

	March 31, 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)	(46)	46	-	-	-
Transfer to Stage (3)	-	-	-	-	-
Net ECL Charges for the period	14 174	3 363	(296)	17 241	184
Investments written off	-	-	(3 697)	(3 697)	-
Adjustments during the period and translation adjustments	(111)	136	-	25	17
Balance at the end of the period \ Year	<u>31 170</u>	<u>22 333</u>	<u>783</u>	<u>54 286</u>	<u>40 717</u>

During the three months period ended March 31, 2020 certain financial assets at amortized cost with a total amount of USD 70.5 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 three months period ended March 31, 2020 amounted to USD 11.3 million and USD 0.9 million respectively (USD 17.3 million and USD 4.2 million for the three months period ended March 31, 2019).

The cost of fully depreciated fixed assets amounted to USD 304 million as of March 31, 2020 (USD 293.7 million as of December 31, 2019)

12- OTHER ASSETS

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Accrued interest receivable	198 064	213 108
Prepaid expenses	143 055	100 410
Foreclosed assets *	126 895	121 457
Intangible assets	29 560	29 820
Right-of-use Assets	95 039	98 608
Other miscellaneous assets	261 289	228 888
Total	853 902	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:

March 31, 2020 (Reviewed not Audited)

	Consumer Banking	Corporates		Government and Public Sector	Total
		Small & Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	8 322 202	2 126 510	2 064 107	299 829	12 812 648
Savings	3 153 342	75 623	12 876	13 281	3 255 122
Time and notice	9 276 313	1 370 106	3 697 890	1 430 839	15 775 148
Certificates of deposit	444 079	37 666	124 708	35 761	642 214
Total	21 195 936	3 609 905	5 899 581	1 779 710	32 485 132

December 31, 2019 (Audited)

	Consumer Banking	Corporates		Government and Public Sector	Total
		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 661.6 millions, or 2% of total customer's deposits as of March 31, 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 11492 million, or 35.4% of total customer's deposits as of March 31, 2020 (USD 10968.4 million, or 33.1% of total customer's deposits as of December 31, 2019).
- Blocked deposits amounted to USD 132.3 million, or 0.4% of total customer's deposits as of March 31, 2020 (USD 193.9 million, or 0.6% of total customer's deposits as of December 31, 2019).
- Dormant deposits amounted to USD 332.6 million, or 1% of total customer's deposits as of March 31, 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:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
From Central Banks	201 412	86 237
From banks and financial institutions	244 368	246 699
Total	445 780	332 936

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

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Floating interest rate	216 691	210 210
Fixed interest rate	229 089	122 726
Total	445 780	332 936

15- PROVISION FOR INCOME TAX

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Balance at the beginning of the year	345 054	321 490
Income tax expense	50 753	324 983
Income tax paid	(87 379)	(301 419)
Balance at the End of the Period / Year	308 428	345 054

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

	For the Three-Months	
	March 31, 2020 (Reviewed not Audited)	March 31, 2019 (Reviewed not Audited)
	USD '000	USD '000
Income tax expense for the period	50 753	83 644
Effect of deferred tax	(1 859)	(2 628)
Total	48 894	81 016

- The Banking income tax rate 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 March 31, 2020 and December 31, 2019. The actual tax rate for the Group is 24.9% as March 31, 2020 and 25.9% as of March 31, 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 Islamic International Arab Bank and 2017 such as Arab Bank Palestine.

16. OTHER LIABILITIES

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Accrued interest payable	194 148	211 698
Notes payable	153 257	168 629
Interest and commission received in advance	83 401	75 085
Accrued expenses	75 707	77 471
Dividends payable to shareholders	19 739	20 332
Provision for impairment - ECL of the indirect credit facilities*	62 393	59 213
Lease Contracts Liability	92 600	95 880
Other miscellaneous liabilities	377 932	417 642
Total	1 059 177	1 125 950

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

	March 31, 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	14	(14)	-	-	-
Transferred to Stage 2	(168)	168	-	-	-
Transferred to Stage 3	(1)	(10)	11	-	-
Net ECL Charges for the period	2 334	1 077	(5)	3 406	(19 051)
Adjustments during the period and Translation Adjustments	112	(2)	(336)	(226)	906
Balance at the End of the Period \ Year	38 443	14 734	9 216	62 393	59 213

17. SHARE CAPITAL AND RESERVES

A. Share Capital amounted to USD 926.6 million distributed to 640.8 million shares as of March 31, 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:

	March 31, 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	144 954	844 937
Transferred from investment revaluation reserve to retained earnings	(1 025)	(2 201)
Dividends paid	-	(417 997)
Transferred to statutory reserve	-	(7 108)
Transferred to general banking risk reserve	-	(1 828)
Changes in associates equity	-	(13 724)
Effect of IFRS (16) adoption	-	(5 327)
Adjustment during the period/ year	-	(4 221)
Balance at the End of the Period / Year	2 728 466	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:

	March 31, 2020 (Reviewed not Audited)	March 31, 2019 (Reviewed not Audited)
	USD '000	USD '000
Direct credit facilities at amortized cost	406 461	421 606
Balances with central banks	18 563	25 690
Balances and deposits with banks and financial institutions	22 866	22 353
Financial assets at fair value through profit or loss	5 782	4 551
Other financial assets at amortized cost	129 800	128 131
Total	583 472	602 331

20- INTEREST EXPENSE

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	March 31, 2019 (Reviewed not Audited)
	USD '000	USD '000
Customer deposits	201 684	219 043
Banks and financial institutions deposits	21 742	27 291
Cash margins	15 328	14 785
Borrowed funds	3 284	2 518
Deposit insurance fees	7 189	6 278
Total	249 227	269 915

21- **NET COMMISSION INCOME**

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	March 31, 2019 (Reviewed not Audited)
	USD '000	USD '000
Commission income:		
Direct credit facilities at amortized cost	20 052	21 494
Indirect credit facilities	28 423	30 091
Assets Under Management	5 670	4 539
Other	28 130	26 400
Less: commission expense	(11 641)	(11 119)
Net Commission Income	70 634	71 405

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

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)				March 31, 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	2 647	(510)	-	2 137	1 473
Corporate shares	-	42	-	42	5
Mutual funds	-	(1 186)	-	(1 186)	309
Total	2 647	(1 654)	-	993	1 787

23- **OTHER REVENUE**

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	March 31, 2019 (Reviewed not Audited)
	USD '000	USD '000
Revenue from customer services	3 505	3 290
Safe box and other rentals	1 053	1 072
(Loss) from derivatives	(461)	(413)
Miscellaneous revenue	8 871	6 884
Total	12 968	10 833

ARAB BANK GROUP
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTHS PERIOD ENDED 31 MARCH 2020
(REVIEWED NOT AUDITED)

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 being 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

	March 31, 2020 (Reviewed not Audited)					March 31, 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	241 275	171 212	(40 431)	68 435	119 146	559 637	558 651
Net inter-segment interest income	(35 419)	(88 711)	87 386	36 744	-	-	-
Less :Provision for impairment - ECL	69 734	59 336	473	10 950	-	140 493	31 894
Less :Other provisions	3 034	741	556	2 850	-	7 181	4 857
Less :Direct administrative expenses	32 776	6 075	10 386	42 662	3 282	95 181	92 549
Result of Operations of Segments	100 312	16 349	35 540	48 717	115 864	316 782	429 351
Less :Indirect expenses on segments	50 471	16 101	11 854	41 302	567	120 295	116 565
Profit for the Period before Income Tax	49 841	248	23 686	7 415	115 297	196 487	312 786
Less :Income tax expense	12 403	61	5 894	1 845	28 691	48 894	81 016
Profit for the Period	37 438	187	17 792	5 570	86 606	147 593	231 770
Depreciation and Amortization	4 456	1 287	795	8 191	-	14 729	14 454

Other Information	March 31, 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	18 177 553	18 670 446	3 493 066	5 135 341	1 661 332	47 137 738	47 701 193
Inter-segment assets	-	-	11 868 431	2 594 344	6 455 004	-	-
Investments in associates	-	-	-	-	3 532 511	3 532 511	3 513 651
Total Assets	18 177 553	18 670 446	15 361 497	7 729 685	11 648 847	50 670 249	51 214 844
Segment liabilities	13 796 578	2 133 642	15 361 497	7 729 685	2 487 764	41 509 166	42 112 393
Shareholders' Equity	-	-	-	-	9 161 083	9 161 083	9 102 451
Inter-segment liabilities	4 380 975	16 536 804	-	-	-	-	-
Total Liabilities and Shareholders' Equity	18 177 553	18 670 446	15 361 497	7 729 685	11 648 847	50 670 249	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:

March 31, 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	1 647 872	34 602	-	1 682 474
Acceptances	692 746	5 088	-	697 834
Letters of guarantees:				
- Payment guarantees	1 332 175	70 513	94 200	1 496 888
- Performance guarantees	3 624 216	1 321 519	208 919	5 154 654
- Other guarantees	2 619 092	466 895	33 152	3 119 139
Unutilized credit facilities	4 032 499	382 480	26 075	4 441 054
Total	13 948 600	2 281 097	362 346	16 592 043
Construction projects contracts	3 758	-	-	3 758
Procurement contracts	7 992	2 579	1 906	12 477
Total	11 750	2 579	1 906	16 235
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:

March 31, 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	2 542 524	2 670 597	343	1 409 967	-	8 379	6 631 810
Balances and deposits with banks and financial institutions	338 042	1 446 481	429 751	1 322 353	400 654	93 230	4 030 511
Financial assets at fair value through profit or loss	-	103 663	20 521	159 819	-	5 496	289 499
Direct credit facilities at amortized cost	8 119 806	13 644 135	387 367	1 097 006	65 965	655 302	23 969 581
Consumer Banking	2 931 599	2 464 167	16	129 143	-	250 076	5 775 001
Small and Medium Corporates	889 802	1 369 418	32 133	408 753	25 699	170 826	2 896 631
Large Corporates	4 088 773	8 739 278	281 713	558 550	40 266	234 400	13 942 980
Banks and Financial Institutions	72 110	220 958	622	560	-	-	294 250
Government and Public Sector	137 522	850 314	72,883	-	-	-	1 060 719
Other financial assets at amortized cost	4 019 717	4 450 156	111 158	483 822	99 570	227 362	9 391 785
Other assets and financial derivatives - positive fair value	85 524	269 705	4 172	107 861	1 677	12 482	481 421
Total	15 105 613	22 584 737	953 312	4 580 828	567 866	1 002 251	44 794 607
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:

	March 31, 2020 (Reviewed not Audited)												
	Consumer Banking	Corporations									Banks and Financial Institutions	Government and Public Sector	Total
		Industry and Mining	Constructions	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Shares	General Services			
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	
Balances with central banks	-	-	-	-	-	-	-	-	-	-	-	6 631 810	6 631 810
Balances and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	4 030 511	-	4 030 511
Financial assets at fair value through profit or loss	-	14 203	-	-	-	-	-	-	-	-	204 011	71 285	289 499
Direct credit facilities at amortized cost	5 775 001	4 497 066	1 850 631	1 753 433	4 366 263	322 066	552 296	332 747	11 985	3 153 124	294 250	1 060 719	23 969 581
Other financial assets at amortized cost	-	86 750	-	6 925	-	-	-	-	-	150 273	1 130 652	8 017 185	9 391 785
Other assets & Financial Derivatives - positive fair value	34 498	27 148	7 012	5 765	23 557	1 308	2 479	5 327	-	46 640	209 752	117 935	481 421
Total	5 809 499	4 625 167	1 857 643	1 766 123	4 389 820	323 374	554 775	338 074	11 985	3 350 037	5 869 176	15 898 934	44 794 607
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:

	March 31, 2020 (Reviewed not Audited)	December 31, 2019 (Audited)
	USD '000	USD '000
Common Equity Tier 1	8 570 407	8 543 121
Regulatory Adjustments (Deductions from Common Equity Tier 1)	(3 055 420)	(3 036 069)
Additional Tier 1	308	437
Supplementary Capital	438 454	395 519
Regulatory Capital	5 953 749	5 903 008
Risk-weighted assets (RWA)	36 181 947	36 460 222
Common Equity Tier 1 Ratio	%15.24	%15.10
Tier 1 Capital Ratio	%15.24	%15.11
Capital Adequacy Ratio	%16.46	%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
	March 31, 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:						
Treasury bills and Bonds	71 285	207 411	Level 1	Quoted Shares	Not Applicable	Not Applicable
Corporate Bonds	218 214	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	18 078	24 444	Level 1	Quoted Shares	Not Applicable	Not Applicable
Total Financial Assets at Fair Value through Profit or Loss	307 577	519 053				
Financial derivatives - positive fair value	140 302	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	125 570	133 480	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	248 199	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	373 769	385 933				
Total Financial Assets at Fair Value	821 648	959 198				
Financial Liabilities at Fair Value						
Financial derivatives - negative fair value	129 184	75 887	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	129 184	75 887				

There were no transfers between Level 1 and 2 during the three months period ended March 3, 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:

	March 31, 2020 (Reviewed not Audited)		December 31, 2019 (Audited)		Fair Value Hierarchy
	Book value USD '000	Fair value USD '000	Book value USD '000	Fair value USD '000	
Financial assets not calculated at fair value					
Mandatory cash reserve, Time and notice balances and Certificates of deposit with central banks	4 048 751	4 097 799	4 993 146	4 994 782	Level 2
Balances and deposits with banks and financial institutions	4 030 511	4 034 487	4 572 149	4 575 696	Level 2
Direct credit facilities at amortized cost	23 969 581	24 055 386	23 960 625	24 034 879	Level 2
Other financial assets at amortized cost	9 391 785	9 469 482	8 894 618	8 996 983	Level 1 & 2
Total financial assets not calculated at fair value	41 440 628	41 657 154	42 420 538	42 602 340	
Financial liabilities not calculated at fair value					
Banks' and financial institutions' deposits	4 095 002	4 104 084	3 761 895	3 774 410	Level 2
Customer deposits	32 485 132	32 618 307	33 154 995	33 297 984	Level 2
Cash margin	2 749 608	2 761 880	3 082 753	3 097 979	Level 2
Borrowed funds	445 780	447 730	332 936	338 201	Level 2
Total financial liabilities not calculated at fair value	39 775 522	39 932 001	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 Three-Months Period Ended March 31,	
	2020	2019
	USD '000	USD '000
Profit for the period attributable to the Bank's shareholders	144 954	230 212
	Thousand / Shares	
Average number of shares	640 800	640 800
	USD / Share	
Earnings Per Share for the period (Basic and diluted)	0.23	0.36

31- **CASH AND CASH EQUIVALENTS**

The details of this item are as follows:

	March 31, 2020 (Reviewed not Audited)	March 31, 2019 (Reviewed not Audited)
	USD '000	USD '000
	Cash and balances with central banks maturing within 3 months	7 437 442
<u>Add:</u> Balances with banks and financial institutions maturing within 3 months	3 521 349	3 158 443
<u>Less:</u> Banks and financial institutions deposits maturing within 3 months	3 087 702	2 929 037
Total	7 871 089	7 816 300

32. RELATED PARTIES TRANSACTIONS

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

	March 31, 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	259 766	-	108 184	57 152
Major Shareholders and Members of the Board of Directors	-	284 243	411 738	97 193
Total	259 766	284 243	519 922	154 345

	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:

	March 31, 2020 (Reviewed not Audited)	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated Companies	1 424	50

	March 31, 2019 (Reviewed not Audited)	
	Interest Income	Interest Expense
	USD '000	USD '000
Associated Companies	658	207

- Direct credit facilities granted to top management personnel amounted to USD 2.2 million and indirect credit facilities amounted to USD 216.9 thousand as of March 31, 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 5.4 million as of March 31, 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 21.6 million for the three months period ended March 31, 2020 (USD 19.5 million for the three months period ended March 31, 2019).

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33. Legal Cases

There are lawsuits filed against the Group totaling USD 221.9 million as of 31 March 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 31 March 2020 presentation, and it did not result in any change to the last year's operating results.