

ISLAMIC INTERNATIONAL ARAB BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD
ENDED JUNE 30, 2017
TOGETHER WITH THE REVIEW REPORT

ISLAMIC INTERNATIONAL ARAB BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
JUNE 30, 2017

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In the Name of Allah, the Beneficent, the Merciful

Review Report

AM/ 30233

To the Board of Directors of
Islamic International Arab Bank
(A Public Shareholding Limited Company)
Amman – The Hashemite Kingdom of Jordan

Introduction

We have reviewed the condensed interim statement of financial position of Islamic International Arab Bank (a Public Shareholding limited Company) as of June 30, 2017 and the related condensed interim statements of income and comprehensive income, changes in shareholders' equity and cash flows for the Six -months period ended in that date, and a summary of significant accounting policies and other explanatory information. Management is responsible for the preparation and fair presentation of these condensed interim financial statements in accordance with the accounting policies described in Note (2) to the interim condensed financial statements. Our responsibility is to express a conclusion on these condensed interim 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 Company. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting policies described in Note (2) to the interim condensed financial statements.

Explanatory Paragraphs

1. The fiscal year for the company ends on December 31, of each year. However, the accompanying condensed interim financial statements have been prepared for Central Bank of Jordan, Jordan Securities Commission and management purposes only.
2. The accompanying condensed interim financial statements are a translation of the statutory condensed interim financial statements in the Arabic language to which reference should be made.

Other matters

The financial statements for the year ended December 31, 2016 and the condensed interim financial statements for the period ended June 30, 2016 were audited and reviewed respectively by Deloitte & Touche (Middle East) – Jordan as the sole auditor of the Bank for the year 2016. Unqualified opinion and unqualified conclusion were issued on these financial statements on February 7, 2017 and October 4, 2016; respectively. Deloitte & Touche (Middle East) – Jordan and Ernst & Young - Jordan were appointed as joint auditors for the Bank for the year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.

Amman – Jordan
23 July 2017



Ernst & Young – Jordan



ISLAMIC INTERNATIONAL ARAB BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

ASSETS	Note	June 30, 2017	
		(Reviewed not Audited)	December 31, 2016
		JD	JD
Cash and balances at the Central Bank	4	549,080,916	642,618,706
Balances at banks and financial institutions	5	22,598,366	22,343,142
Deferred sales receivables and other receivables – net	6	671,636,961	613,132,971
Deferred sales receivables through statement of income	7	-	-
Ijara (lease-to-own) assets – net	8	599,398,717	568,938,389
Financing investments	9	217,681	255,367
Financial assets at fair value through shareholders' equity	10	5,818,386	5,519,852
Financial assets at amortized cost – net	11	43,521,624	33,857,822
Investments in real estates	12	21,402,621	21,023,966
Al – Qard Al - Hasan loans – net		21,710,669	18,958,319
Property and equipment – net		19,444,523	19,829,354
Intangible assets – net		394,886	495,065
Deferred tax assets	15/c	2,688,045	2,606,134
Other assets	13	19,464,246	20,238,624
TOTAL ASSETS		1,977,377,641	1,969,817,711
LIABILITIES			
Banks and financial institutions accounts		661,811	113,743
Customers' current accounts	14	725,438,702	715,422,218
Cash margin		31,440,877	28,738,283
Other provisions		2,755,108	2,462,395
Provision for income tax	15/a	7,155,191	10,204,258
Deferred tax liabilities	15/c	258,282	234,557
Other liabilities	16	31,128,171	37,266,915
TOTAL LIABILITIES		798,838,142	794,442,369
Joint Investment Accounts Holders' Equity			
Unrestricted investment accounts	17	991,063,234	993,700,279
Total Joint Investment Accounts Holder's Equity		991,063,234	993,700,279
INVESTMENT RISKS FUND			
Investment Risks Fund	18	26,524,250	23,596,813
Provision for income tax on Investment Risks Fund	18	1,596,728	2,279,185
		28,120,978	25,875,998
SHAREHOLDERS' EQUITY			
Authorized and paid-up capital		100,000,000	100,000,000
Statutory reserve		21,383,327	21,383,327
Voluntary reserve		4,262,322	4,262,322
General banking risks reserve		882,000	882,000
Fair value reserve – net	19	479,665	435,605
Retained earnings		18,835,811	28,835,811
Income for period		13,512,162	-
Total Shareholders' Equity		159,355,287	155,799,065
Total Liabilities, Joint Investment Accounts Holders and Shareholders' Equity		1,977,377,641	1,969,817,711
Restricted investments		135,221,446	118,177,657
Wakalah Investment Accounts		27,852,011	17,679,879

THE ACCOMPANYING NOTES FROM NO. (1) TO NO. (34) CONSTITUTE AN INTEGRAL PART OF
THESE CONDENSED INTERIM FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH
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ISLAMIC INTERNATIONAL ARAB BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM STATEMENT OF INCOME
(REVIEWED NOT AUDITED)

	Note	For the Six-Months Period Ended June 30,	
		2017	2016
		JD	JD
Deferred sales revenue	20	21,860,397	18,636,448
Revenue from financing investments	21	6,894	174,414
Revenue from financial assets at amortized cost		548,956	194,903
Net (expenses) from Investments in Real Estate	22	(349,490)	(150,369)
Revenue from Ijara (lease-to-own) assets		22,737,428	20,045,663
Net gains from foreign currencies		-	3,321
Ju'alah commissions		182,982	90,001
Total Revenue from Joint Investments Accounts		44,987,167	38,994,381
Share of unrestricted investment accounts holders	23	(9,452,839)	(9,445,903)
Share of investment risks fund	18	(4,498,717)	(3,899,438)
Bank's Share in revenue from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)	24	31,035,611	25,649,040
Bank's self finance revenue	25	28,475	422,319
Bank's share in restricted investment revenue as Mudarib		99,322	51,808
Bank's share in restricted investment revenue as agent		102,045	52,870
Gains from foreign currencies		818,684	819,713
Banking services revenue		4,383,359	4,225,686
Other revenue		168,671	172,950
Gross Income		36,636,167	31,394,386
Expenses			
Employees' expenses		9,609,942	8,581,470
Depreciation and amortization		1,485,516	1,743,732
Other expenses		4,649,432	3,774,190
Depreciation of Ijara (lease-to-own) assets		13,862	361,126
Provisions for impairment of deferred sales receivables	6	49,000	195,000
Other provisions		339,941	218,000
Total Expenses		16,147,693	14,873,518
Income for the Period before Tax		20,488,474	16,520,868
Income tax	15/b	(6,976,312)	(5,685,643)
Income for the Period		13,512,162	10,835,225
	30	-/135	-/108
Earnings per Share - Basic / Diluted			

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ISLAMIC INTERNATIONAL ARAB BANK
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AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(REVIEWED NOT AUDITED)

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Income for the Period	13,512,162	10,835,225
Comprehensive Income Items:		
<u>Items that will not be reclassified subsequently to Statement of Income:</u>		
Net change in the fair value reserve	44,060	(43,044)
Total Comprehensive Income for the Period for the Shareholder's	13,556,222	10,792,181

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ISLAMIC INTERNATIONAL ARAB BANK
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AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(REVIEWED NOT AUDITED)

Note	Reserves										Total		
	Authorized and Paid-up		Statutory		Voluntary		General Banking Risks Reserve *		Fair Value Reserve - Net (Self)			Retained Earnings **	Income for Period
	JD		JD		JD		JD		JD				
For the Six-Months Period Ended June 30, 2017													
	100,000,000		21,383,327		4,262,322		882,000		435,605		28,835,811	-	155,799,065
Balance at the beginning of the period													
Income for the period	-	-	-	-	-	-	-	-	-	-	-	13,512,162	13,512,162
Net change in the fair value reserve after tax	-	-	-	-	-	-	-	-	44,060	-	-	-	44,060
Total comprehensive income for the period	-	-	-	-	-	-	-	-	44,060	-	-	13,512,162	13,556,222
Distributed dividends ***	-	-	-	-	-	-	-	-	-	(10,000,000)	-	-	(10,000,000)
Balance at the End of the Period	100,000,000		21,383,327		4,262,322		882,000		479,665		18,835,811	13,512,162	159,355,287
For the Six-Months Period Ended June 30, 2016													
	100,000,000		17,919,041		4,262,322		882,000		427,355		16,377,182	-	139,867,900
Balance at the beginning of the period													
Income for the period	-	-	-	-	-	-	-	-	-	-	-	10,835,225	10,835,225
Net change in the fair value reserve after tax	-	-	-	-	-	-	-	-	(43,044)	-	-	-	(43,044)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(43,044)	-	-	10,835,225	10,792,181
Distributed dividends	-	-	-	-	-	-	-	-	-	(7,090,000)	-	-	(7,090,000)
Balance at the End of the Period	100,000,000		17,919,041		4,262,322		882,000		384,311		9,287,182	10,835,225	143,570,081

* The General banking risks reserve amounted to JD 882,000 as of June 30, 2017 cannot be utilized without prior approval of the Central Bank of Jordan.

** Retained earnings includes an amount of JD 2,409,917 as of June 30, 2017 that cannot be utilized based on the instruction of the Central Bank of Jordan, which represents the balance of the deferred tax assets which related to the Bank's self operations.

*** On April 17, 2017, the General Assembly of shareholders approved to distribute cash dividends amounted to JD 10,000,000 to the sole shareholder (Arab Bank Plc.) representing 10% of the authorized and paid-up capital from the distributable retained earnings.

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ISLAMIC INTERNATIONAL ARAB BANK
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AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM STATEMENT OF CASH FLOWS
(REVIEWED NOT AUDITED)

	Note	For the Six-Months Period Ended June 30,	
		2017 JD	2016 JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the period before tax		20,488,474	16,520,868
Adjustments to Non- Cash Items:			
Depreciation and amortization		1,485,516	1,743,732
Depreciation of investment in real estate	22	376,523	272,343
Depreciation of Ijara (lease-to-own) assets		29,993,003	29,088,751
Provision for impairment of deferred sales receivables and self-financing	6	49,000	195,000
Investment Risks Fund	18	4,498,717	3,899,438
Other provisions		339,941	218,000
Effect of exchange rate fluctuations on cash and cash equivalents		(6,493)	3,321
Net Cash from Operating Activities before Changes in the Working Capital		57,224,681	51,941,453
Changes in Working Capital Items:			
(Increase) in deferred sales receivables and other receivables		(58,109,375)	(61,699,460)
Decrease in financing investments		37,686	8,863,769
(Increase) in Ijara (lease-to-own) assets		(61,279,205)	(67,218,207)
Decrease (increase) in other assets		753,592	(1,858,757)
(Increase) in Al – Qard Al – Hasan loans		(2,752,350)	(5,725,710)
Increase in customers' current accounts		10,016,484	47,528,900
Increase in cash margins		2,702,594	3,391,060
(Decrease) increase in other liabilities		(5,700,175)	11,593,125
Net Cash (used in) Operating Activities before Tax and Provisions Paid		(57,106,068)	(13,183,827)
Tax paid		(12,802,866)	(8,560,351)
Provisions paid		(47,228)	(76,286)
Net Cash (used in) Operating Activities		(69,956,162)	(21,820,464)
CASH FLOWS FROM INVESTING ACTIVITIES:			
(Purchase) of financial assets through shareholders' equity		(230,749)	-
(Purchase) of financial assets at amortized costs – Net		(9,663,802)	(22,541,105)
(Purchase) sale of investment in real estates		(348,863)	737,710
(Purchase) of property and equipment		(1,003,145)	(595,088)
Sale of intangible assets		2,639	-
Net Cash (used in) Investing Activities		(11,243,920)	(22,398,483)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) increase in joint investment accounts equity		(2,637,045)	9,855,408
Distributed dividends		(10,000,000)	(7,090,000)
Net Cash Flows (used In) from Financing Activities		(12,637,045)	2,765,408
Effect of exchange rate fluctuations on cash and cash equivalents		6,493	(3,321)
Net (Decrease) in Cash and Cash Equivalents		(93,830,634)	(41,456,860)
Cash and Cash Equivalents - beginning of the period		664,848,105	724,704,526
Cash and cash equivalents - End of the Period	27	571,017,471	683,247,666

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ISLAMIC INTERNATIONAL ARAB BANK
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AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONDENSED INTERIM STATEMENT OF SOURCES AND USES
OF AI - QARD AI - HASAN FUND

	June 30, 2017 (Reviewed not Audited)	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	<u>18,532,292</u>	<u>10,086,347</u>
<u>Resources of Fund's Assets From:</u>		
Shareholders' equity	<u>13,004,734</u>	<u>20,273,935</u>
Total Resources of Fund's Assets during the Period / Year	<u>13,004,734</u>	<u>20,273,935</u>
<u>Uses of Fund's Assets On:</u>		
Personal advances	840,384	2,749,360
Visa Revolving Card	<u>14,642,504</u>	<u>25,970,520</u>
Total Used during the Period / Year	<u>15,482,888</u>	<u>28,719,880</u>
Total balance	21,010,446	18,532,292
Currents and overdraft accounts	995,201	665,085
<u>Less:</u> Impairment provision	(294,978)	(239,058)
Balance at the End of the Period / Year – Net	<u>21,710,669</u>	<u>18,958,319</u>

ISLAMIC INTERNATIONAL ARAB BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
(REVIEWED NOT AUDITED)

1. General

- The Islamic International Arab Bank is a Jordanian Public Shareholding Company with headquarters in Amman – the Hashemite Kingdom of Jordan. The Bank was established on March 30, 1997 under the Companies Law No. 22 for 1997.
- The Bank provides all banking, financial, and investment activities that comply with the provisions of Islamic Shari'a through its headquarters and its 41 branches inside the Kingdom. The Bank's activities are subject to the provisions of the Banks' Law in force.
- The Islamic International Arab Bank is wholly owned by the Arab Bank.
- The condensed interim financial statements have been approved by the Bank's Board of Directors in their Meeting Session No. (5) on July 23, 2017, which is subject to the approval from the Central Bank of Jordan.
- The Bank's Shari'a Supervisory Board has reviewed the condensed interim Financial Statements in their Meeting on July 23, 2017 and has issued its Shari'a Report in respect thereof.

2. Significant Accounting Policies

Bases of Condensed Interim Financial Statements Preparation

- The Bank's condensed interim financial statements have been prepared in accordance with the standards issued by the Accounting and Auditing Organization of Islamic Financial Institutions and local laws in force, and the instructions of the Central Bank of Jordan.
- The condensed interim financial statements are prepared on the historical cost basis except for financial assets at fair value through shareholders' equity and sales receivables through the statement of income, which are recognized at fair value at the date of the financial statements.
- The condensed interim financial statements have been presented in Jordanian Dinar, which is the main currency of the Bank.
- The Bank adopted the principle of mixing owner's equity with the accounts of the holders of joint investment as from the beginning of May 2013, maintaining the existing investments financed by the holders of equity (self) until maturity.
- Amounts are deducted from the Investment Risks Fund to cover the impairment in receivables and financings, the impairment in investments in real estate, and any other investments financed from the joint investments accounts.
- The general banking risks reserve cannot be utilized without prior approval of the Central Bank of Jordan.
- In case of revoking an Ijara (lease to own) contract, the real estates resulting from the revoking will be presented within investment in properties portfolio according to the investment policy.

- The condensed interim financial statements do not include all the information and disclosures required for the annual financial statements prepared in accordance with standards issued by the Accounting and Auditing Organization of Islamic Financial Institution and should be read with the Bank's annual report as of December 31, 2016. Moreover, the results for the six-months period ended June 30, 2017 do not necessarily provide an indication of the expected results of operations for the year ending December 31, 2017. The Bank's profits for the six-month period ended June 30, 2017 have not been appropriated; as such appropriations will be made at the end of the year.
- The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with the accounting policies that have been followed for the year ended December 31, 2016.

3. Accounting Estimates

- Preparation of the condensed interim financial statements and application of accounting policies require the Bank's Management to perform estimates and assumptions that affect the amounts of financial assets and financial liabilities, fair value reserve and disclosure of contingent liabilities. These estimates and assumptions also affect the revenue, expenses and provisions as well as the changes in fair value reported in the statement of comprehensive income. In particular, the Bank's Management is required to make significant judgments for estimating the amounts and timing of future cash flows. Moreover, the said assessments are necessarily based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes resulting from the conditions of such estimates in the future. In the opinion of management, the estimates used in the financial statements are reasonable.
- A provision for lawsuits raised against the Bank is taken based on a legal study prepared by the Bank's legal advisor. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.
- A provision for impairment in the facilities self-financed by the Bank is taken based on assumptions approved by the Bank's Management in respect of estimating the provision. Moreover, the results of these bases and assumptions are compared with the provision to be taken by virtue of the instructions of the Central Bank of Jordan. The more stringent results are approved in compliance with the Islamic Accounting and Auditing Organization of Financial Institutions.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the condensed interim statement of income (if any).
- The financial year is charged with its share of the income tax expense in accordance with the accounting regulations, laws and standards; and the necessary tax provision is calculated.
- Management carries out a periodical review of financial assets recorded at cost to estimate any impairment in their value. This impairment (if any) is recorded in the statement of income for the year.
- Management periodically revaluates the real estate within the investments in real estate portfolio, and a provision is taken for any impairment in their value within the Investment Risks Fund. Moreover, the portfolio is within the joint investment whereby buildings within such portfolio are depreciated at 10% per annum.

Bases of Dividends Distribution among Owners of Shareholders' Equity and Holders of the Joint Investment Accounts

The returns from joint investment distributed among the owners of shareholding equity and holders of the joint investment accounts for the first half of the year 2017 as follows:

	<u>Rate</u>	
Share of Joint Investment Accounts Holders	40%	Which is 2.948% on the Jordanian Dinar and 0.53% on the US Dollar for the 1st half of 2017 and which is 3.02% on the Jordanian Dinar and 0.34% on the US Dollar for the 1 st half of 2016.
Share of Shareholders' Equity	50%	
Share of the Investment Risks Fund	10%	

- The Bank grants priority in investment to the holders of the joint investment accounts. These accounts are charged with the advertisement and publicity expenses in respect of the products that the Bank releases. Such expenses are life insurance premiums in respect of those financed by Ijara (lease-to-own) contracts and the expenses related to investment in real estate and other expenses that are approved by shari'a supervisory board, which are invested from the deposits accounts that participate in profits.
- The rate of dividends distributed to the holders of the restricted investment deposits in US Dollars ranged from 0.76% to 1.06% for the first half of 2017 (compared with 0.41% and 0.60% for the year 2016).

4. Cash and Balances at the Central Bank

- Mandatory cash reserve amounted to JD 103,318,111 as of June 30, 2017 (JD 105,015,488 as of December 31, 2016).
- Except for the mandatory cash reserve, there are no restricted cash balances as of June 30, 2017 and December 31, 2016.

5. Balances at Banks and Financial Institutions

- The details of this item are as follows:

	<u>Local Banks and Financial Institutions</u>		<u>Foreign Banks and Financial Institutions</u>		<u>Total</u>	
	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
	JD	JD	JD	JD	JD	JD
	17,393,096	17,791,150	5,205,270	4,551,992	22,598,366	22,343,142
Current accounts	<u>17,393,096</u>	<u>17,791,150</u>	<u>5,205,270</u>	<u>4,551,992</u>	<u>22,598,366</u>	<u>22,343,142</u>

- There are no restricted cash balances as of June 30, 2017 and December 31, 2016.

6. Deferred Sales Receivables and other Receivables - Net

The details of this item are as follows:

	Joint		Self		Total	
	June 30,	December 31,	June 30,	December 31,	June 30,	December 31,
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Individuals (Retail):						
Murabaha to the purchase orderer	212,155,890	191,851,793	-	-	212,155,890	191,851,793
Ju'alah guarantees	2,540,693	1,929,597	-	-	2,540,693	1,929,597
Receivables – Ijara (lease-to-own)	1,005,971	845,823	-	-	1,005,971	845,823
Real estate finances	130,817,522	118,423,940	-	-	130,817,522	118,423,940
Large Companies:						
International Murabaha	131,828,341	129,824,536	458,598	453,881	132,286,939	130,278,417
Murabaha to the purchase orderer	180,630,247	164,286,119	3,404,278	3,565,743	184,034,525	167,851,862
Receivables – Ijara (lease-to-own)	2,056,934	1,539,708	-	-	2,056,934	1,539,708
Small and Medium Companies:						
Murabaha to the purchase orderer	75,942,656	67,534,040	-	-	75,942,656	67,534,040
Deferred payment sale	10,708	40,621	-	-	10,708	40,621
Ju'alah guarantees	4,818	6,307	-	-	4,818	6,307
Receivables – Ijara (lease to own)	943,810	748,400	-	16,468	943,810	764,868
Total	<u>737,937,590</u>	<u>677,030,884</u>	<u>3,862,876</u>	<u>4,036,092</u>	<u>741,800,466</u>	<u>681,066,976</u>
Less: Deferred revenue	57,847,177	55,212,370	1,867	3,083	57,849,044	55,215,453
Impairment provision	7,868,671	8,325,938	3,490,430	3,497,350	11,359,101	11,823,288
Revenues in suspense	939,548	880,159	15,812	15,105	955,360	895,264
Net Deferred Sales Receivables and Other Receivables	<u>671,282,194</u>	<u>612,612,417</u>	<u>354,767</u>	<u>520,554</u>	<u>671,636,961</u>	<u>613,132,971</u>

- The movement on the deferred payment sale was as follows:

	June 30, 2017			December 31, 2016		
	Deferred Sale Receivables	Deferred Revenue	Impairment Provision	Deferred Sale Receivables	Deferred Revenue	Impairment Provision
	JD	JD	JD	JD	JD	JD
Balance at the beginning of the period / year	40,621	11,648	-	99,680	34,555	-
Disposals	(29,913)	(8,736)	-	(59,059)	(22,907)	-
Balance at the End of the Period / Year	10,708	2,912	-	40,621	11,648	-

Impairment Provision for Deferred Sales Receivables, Financing Investment, Ijara (lease-to-own) and Al - Qard Al - Hasan Loans - Self Owned

The movement on the provision for impairment was as follows:

	<u>June 30, 2017</u>			
	Individuals	Large Companies	Small and Medium Companies	Total
	JD	JD	JD	JD
Balance at the beginning of the period	139,886	3,506,664	89,858	3,736,408
Deducted from the profits	-	49,000	-	49,000
Used from the provision during the period (written-off)	-	-	-	-
Settlements during the period	51,815	(74,721)	22,906	-
Balance at the End of the Period	191,701	3,480,943	112,764	3,785,408
Provision for impairment of non- performing sales receivables on a single client basis	189,860	3,474,488	108,874	3,773,222
Provision for impairment of under watch-list sales receivables on a single client basis	1,841	6,455	3,890	12,186
Balance at the End of the Period	191,701	3,480,943	112,764	3,785,408
	<u>December 31, 2016</u>			
	Individuals	Large Companies	Small and Medium Companies	Total
	JD	JD	JD	JD
Balance at the beginning of the year	89,029	4,826,426	-	4,915,455
Deducted from the profits	-	53,000	-	53,000
Used from the provision during the year (written-off)	-	(1,232,047)	-	(1,232,047)
Settlements during the year	50,857	(140,715)	89,858	-
Balance at the End of the Year	139,886	3,506,664	89,858	3,736,408
Provision for impairment of non- performing sales receivables on a single client basis	139,162	3,502,160	85,437	3,726,759
Provision for impairment of under watch-list sales receivables on a single client basis	724	4,504	4,421	9,649
Balance at the End of the Year	139,886	3,506,664	89,858	3,736,408

- The total general banking risks reserve for receivables and self-financing amounted to JD 882,000 as of June 30, 2017 (JD 882,000 as of December 31, 2016).
- The total provisions prepared for debts calculated on the single client basis have been disclosed.
- The provisions no longer required due to settlements or re-payment of debts and transferred against receivables and other finances amounted to JD 1,556,417 as of June 30, 2017 (JD 2,626,791 as of December 31, 2016).

Revenues in Suspense

The movement on the revenue in suspense was as follows:

	Self	
	Large Companies	
	June 30, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	15,105	659,754
<u>Add</u> : Revenue in suspense during the period / year	727	122,165
<u>Less</u> : Revenue in suspense transferred to revenue	(20)	-
Revenue in suspense written-off	-	(766,814)
Balance at the End of the Period / Year	15,812	15,105

	Joint				
	Individuals	Corporates			Total
		Real Estate Finances	Large	Small & Medium	
June 30, 2017	JD	JD	JD	JD	JD
Balance at the beginning of the period	120,520	45,436	319,093	395,110	880,159
<u>Add</u> : Revenue suspended during the period	34,186	8,464	26,196	86,237	155,083
<u>Less</u> : Revenue in suspense reversed to revenue	(17,555)	(3,399)	(40,576)	(34,164)	(95,694)
Revenue in suspense written-off	-	-	-	-	-
Balance at the End of the Period	137,151	50,501	304,713	447,183	939,548

	Joint				
	Individuals	Corporates			Total
		Real Estate Finances	Large	Small & Medium	
December 31, 2016	JD	JD	JD	JD	JD
Balance at the beginning of the year	94,303	55,377	301,431	338,869	789,980
<u>Add</u> : Revenue suspended during the year	53,481	9,877	17,662	163,536	244,556
<u>Less</u> : Revenue in suspense reversed to revenue	(27,264)	(19,818)	-	(94,826)	(141,908)
Revenue in suspense written-off	-	-	-	(12,469)	(12,469)
Balance at the End of the Year	120,520	45,436	319,093	395,110	880,159

7. Deferred Sales Receivables through the Statement of Income

The sales receivables through the statement of income- self owned amounted to JD 6,513,267. and an impairment provision for sales receivables of JD 6,513,267 was taken.

8. Ijara (lease-to-own) Assets - Net

The details of this item are as follows:

June 30, 2017	Joint			Self			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara (lease-to-own) Assets-Real Estate	740,725,142	(146,111,183)	594,613,959	1,338,000	(964,134)	373,866	742,063,142	(147,075,317)	594,987,825
Ijara (lease-to-own) Assets- Machinery	10,678,828	(6,499,946)	4,178,882	-	-	-	10,678,828	(6,499,946)	4,178,882
Ijara (lease-to-own) Assets - Vehicles	3,363,090	(3,131,080)	232,010	-	-	-	3,363,090	(3,131,080)	232,010
Total	<u>754,767,060</u>	<u>(155,742,209)</u>	<u>599,024,851</u>	<u>1,338,000</u>	<u>(964,134)</u>	<u>373,866</u>	<u>756,105,060</u>	<u>(156,706,343)</u>	<u>599,398,717</u>

December 31, 2016	Joint			Self			Total		
	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value	Cost	Accumulated Depreciation	Net Value
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Ijara (lease-to-own) Assets-Real Estate	692,282,017	(129,913,393)	562,368,624	1,338,000	(950,272)	387,728	693,620,017	(130,863,665)	562,756,352
Ijara (lease-to-own) Assets- Machinery	11,515,900	(6,118,014)	5,397,886	-	-	-	11,515,900	(6,118,014)	5,397,886
Ijara (lease-to-own) Assets - Vehicles	3,437,040	(2,652,889)	784,151	-	-	-	3,437,040	(2,652,889)	784,151
Total	<u>707,234,957</u>	<u>(138,684,296)</u>	<u>568,550,661</u>	<u>1,338,000</u>	<u>(950,272)</u>	<u>387,728</u>	<u>708,572,957</u>	<u>(139,634,568)</u>	<u>568,938,389</u>

- Total due Ijara installments amounted to JD 4,006,715 as of June 30, 2017 (JD 3,150,399 as of December 31, 2016). Moreover, due Ijara balances were disclosed within the deferred sales receivables and other receivables (Note 6).

- Non-performing Ijara (lease-to-own) amounted to JD 1,402,457 - i.e.. 0.2% of the balance of Ijara lease-to-own as of June 30, 2017 (JD 1,823,186 i.e.. 0.3% as of December 31, 2016).

- Non-performing Ijara (lease-to-own) after deducting profits in suspense amounted to JD 846,463 - i.e. 0.1% of the balance of Ijara (lease-to-own) as of June 30, 2017 (JD 1,326,034 - i.e. 0.2% as at December 31, 2016).

9. Financing Investments

The details of this item are as follows:

	Joint	
	June 30, 2017	December 31, 2016
	JD	JD
Large companies:		
Mudaraba	217,681	255,367
Net Financing Investments	217,681	255,367

- Non-performing deferred sales receivables and other receivables, financings, Ijara (lease-to-own) and Al - Qard Al - Hasan amounted to JD 12,992,595 - i.e. 0.95% of the balance of deferred sales receivables and other receivables, financings, Ijara (lease-to-own) and Al - Qard Al - Hasan as of June 30, 2017 (JD 13,845,455 as of December 31, 2016 - i.e. 1.1% of the balance granted at the end of the previous year).
- Non-performing deferred sales receivables and other receivables. financings. Ijara (lease-to-own) and Al - Qard Al - Hasan after deducting revenues in suspense amounted to JD 12,037,235 as of June 30, 2017 - i.e. 0.88% of the balance of deferred sales receivables and other receivables. financings. Ijara (lease-to-own) and Al - Qard Al - Hasan after deducting revenues in suspense (JD 12,950,191 as of December 31, 2016 - i.e. 1% of the balance granted at the end of the previous year).

10. Financial Assets at Fair Value through Shareholders' Equity

The details of this item are as follows:

	June 30, 2017			December 31, 2016		
	Self	Joint	Total	Self	Joint	Total
	JD	JD		JD	JD	
Financial assets quoted in the Market						
Investment portfolios managed by third parties *	5,587,637	-	5,587,637	5,519,852	-	5,519,852
Financial assets not quoted in the Market						
Companies Shares **	-	230,749	230,749	-	-	-
Total Financial Assets at Fair Value through Shareholders' Equity	5,587,637	230,749	5,818,386	5,519,852	-	5,519,852

- * This item represents the investments portfolios managed by Al - Arabi Investment Group Company and comprises external shares and Islamic Sukuk.
- ** This item represents Islamic International Arab Bank share of the establishment of Jordan Islamic Banks Investment Company and the Jordan Payment and Clearing Co.
- There was no transfer to retained earnings under shareholders' equity related to financial assets through shareholders' equity.
- The financial assets appeared at cost, which is impractical to identify its fair value, amounted to JD 230,749 (Nothing for the Year 2016).

11. Financial Assets at Amortized Costs - Net

The details of this item are as follows:

	Joint	
	June 30, 2017	December 31, 2016
	JD	JD
Islamic Sukuk quoted in the Market	32,403,724	21,707,822
Islamic Sukuk not quoted in the Market	11,117,900	12,150,000
Total	43,521,624	33,857,822

- The above assets have fixed and determinable payments and mature within the period from 2017 until the end of the year 2022.
- No impairment provisions for the financial assets at amortized cost were taken.

12. Investments in Real Estates

The details of this item are as follows:

Investment in Real Estate for the purpose of utilization:

	Joint	
	June 30, 2017	December 31, 2016
	JD	JD
Investments in real estate	27,478,332	26,303,595
Accumulated depreciation	(1,525,134)	(1,148,611)
Impairment provision	(4,550,577)	(4,131,018)
Total	21,402,621	21,023,966

Buildings within the real estate portfolio above are depreciated according to the straight-line method at a rate of 10%.

The movement on the investment in real estate portfolio during the period was as follows:

<u>June 30, 2017</u>	Balance at the Beginning of the Period	Additions/Transfers during the Period	disposal during the Period	Balance at the End of the Period
	JD	JD	JD	JD
Investments in real estate	26,303,595	1,685,307	(510,570)	27,478,332
Accumulated depreciation	(1,148,611)	(376,523)	-	(1,525,134)
Total	25,154,984	1,308,784	(510,570)	25,953,198
Real estate impairment provision	(4,131,018)	* (419,559)	-	(4,550,577)
Net	21,023,966	889,225	(510,570)	21,402,621

<u>December 31, 2016</u>	Balance at the Beginning of the Year	Additions/Transfers during the Year	disposal during the Year	Balance at the End of the Year
	JD	JD	JD	JD
Investments in real estate	23,350,821	4,385,160	(1,432,386)	26,303,595
Accumulated depreciation	(423,217)	(750,425)	25,031	(1,148,611)
Total	22,927,604	3,634,735	(1,407,355)	25,154,984
Real estate impairment provision	(3,468,931)	(778,420)	116,333	(4,131,018)
Net	19,458,673	2,856,315	(1,291,022)	21,023,966

The fair value of investments in real estate portfolio amounted to JD 22,715,934 as of June 30, 2017 (JD 22,027,117 as of December 31, 2016).

- * The increase of real estate impairment provision is due to the difference between the carrying amount and the valuation amount of the real estate which has been revoked (Ijara lease-to-own) during the period.

13. Other Assets

The details of this item are as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Clearing cheques	14,184,383	16,394,496
Prepaid expenses	2,286,038	1,174,022
Accrued revenue	410,375	249,048
Assets seized by the Bank against due debts - Net	1,899,945	1,913,060
Others	683,505	507,998
Total	<u>19,464,246</u>	<u>20,238,624</u>

The summary of the movement on the assets seized by the Bank against due debt was as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	1,913,060	842,554
Additions	24,151	1,078,670
Disposals	-	-
Impairment losses in real estate	-	(8,164)
Recoverable Impairment losses in real estate	4,862	-
Provision against assets seized	(42,128)	-
Balance at the End of the Period / Year *	<u>1,899,945</u>	<u>1,913,060</u>

- * This balance represents the balance of assets seized by the Bank against distressed settlement of bad debts. The Bank is prohibited from disposing of these assets for one year from the date of registration of the real estate in the Banks name.

14. Customers' Current Accounts

The details of this item are as follows:

		June 30, 2017				
		Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
		JD	JD	JD	JD	JD
Current accounts		548,759,545	53,107,309	117,804,878	5,766,970	725,438,702
Total		<u>548,759,545</u>	<u>53,107,309</u>	<u>117,804,878</u>	<u>5,766,970</u>	<u>725,438,702</u>

		December 31, 2016				
		Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
		JD	JD	JD	JD	JD
Current accounts		525,449,363	46,805,135	139,804,717	3,363,003	715,422,218
Total		<u>525,449,363</u>	<u>46,805,135</u>	<u>139,804,717</u>	<u>3,363,003</u>	<u>715,422,218</u>

- The deposits of the Government of Jordan and public sector inside the Kingdom amounted to JD 5,766,970 as of June 30, 2017 i.e. 0.80% of the total customers' current accounts (JD 3,363,003 as of December 31, 2016 i.e. 0.47%).
- Restricted deposits amounted to JD 4,855,297 as of June 30, 2017 i.e. 0.67% of the total customers' current accounts (JD 4,881,748 as of December 31, 2016 - i.e. 0.68%).
- Dormant accounts amounted to JD 9,498,741 as of June 30, 2017 (JD 8,843,836 as of December 31, 2016).

15. Provision for Income Tax

a. Provision for Income Tax

The movement on the income tax provision was as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	10,204,258	6,742,519
Income tax paid during the period / year	(10,086,504)	(8,952,078)
Income tax paid for the pervious years	-	(44,257)
Accrued income tax expense for the period / year	7,037,437	12,458,074
Balance at the End of the Period / Year	<u>7,155,191</u>	<u>10,204,258</u>

b. The income tax balance presented in the statement of income consists of the following:

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Accrued income tax expense for the period income	7,037,437	6,453,745
Deferred tax assets for the period	(118,979)	(76,300)
Amortization of deferred tax assets for the period	57,854	47,117
Deferred tax liabilities for the period	-	(738,919)
	<u>6,976,312</u>	<u>5,685,643</u>

- The accrued income tax for the period ended June 30, 2017 was calculated in accordance with the Income Tax Law in force.
- A final settlement was reached with the Income and Sales Tax Department until the end of the year 2014. Moreover, the tax return for the years 2015 and 2016 were submitted and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- In the opinion of the Management and the tax consultant, no further provisions are required for the period ended June 30, 2017.

C. Deferred Tax Assets / Liabilities - (Self - Joint)

Accounts Included	June 30, 2017					December 31, 2016
	Beginning Balance For the Year	Released Amounts	Added Amounts	Ending Balance For the Period	Deferred Tax	Deferred Tax
1. Deferred Tax Assets - Joint	JD	JD	JD	JD	JD	JD
Revenue in suspense	735,261	95,694	155,083	794,650	278,128	257,342
	<u>735,261</u>	<u>95,694</u>	<u>155,083</u>	<u>794,650</u>	<u>278,128</u>	<u>257,342</u>
2. Deferred Tax Assets - Self						
Provision for end-of-service indemnity	2,430,895	25,787	225,000	2,630,108	920,538	850,814
Impairment provision for self- financings	1,342,848	-	-	1,342,848	469,997	469,997
Provision for fees for lawsuits against the Bank	31,500	21,441	39,941	50,000	17,500	11,025
Impairment in the financial assets at fair value through shareholders' equity	2,727,786	-	-	2,727,786	954,725	954,725
Unacceptable tax expenses and deferred for years to come	177,804	118,069	-	59,735	20,907	62,231
Provision for operating losses	-	-	75,000	75,000	26,250	-
	<u>6,710,833</u>	<u>165,297</u>	<u>339,941</u>	<u>6,885,477</u>	<u>2,409,917</u>	<u>2,348,792</u>
Total	<u>7,446,094</u>	<u>260,991</u>	<u>495,024</u>	<u>7,680,127</u>	<u>2,688,045</u>	<u>2,606,134</u>

The joint-deferred tax assets amounted to JD 278,128 as of June 30, 2017 resulting from time differences of the revenue in suspense against unacceptable joint financing and deferred for years to come have been calculated at a tax rate of 35%. In the Management's opinion, these tax benefits from the investment risk fund will be utilized in the future.

The self-deferred tax assets amounted to JD 2,409,917 as of June 30, 2017 resulting from time differences of the provision for end-of- service indemnity, provision for impairment in self – financings, provision for fees on lawsuits against the Bank, impairment in financial assets and provision for operating losses, and unacceptable tax expenses and deferred for years to come have been calculated at a tax rate of 35%. In the Management’s opinion, these tax benefits from profits will be utilized in the future.

	June 30, 2017				December 31, 2016	
	Beginning Balance For the Year	Released Amounts	Added Amounts	Ending Balance For the Period	Deferred Tax	Deferred Tax
3. Deferred Tax Liabilities - Self	JD	JD	JD	JD	JD	JD
Financial assets at fair value through shareholders’ equity	670,162	-	67,785	737,947	258,282	234,557
	<u>670,162</u>	<u>-</u>	<u>67,785</u>	<u>737,947</u>	<u>258,282</u>	<u>234,557</u>

The deferred tax liabilities amounted to JD 258,282 as of June 30, 2017 (JD 234,557 as of December 31, 2016) resulted from gains from valuation of financial assets presented within the fair value reserve of shareholders’ equity.

The movement on the deferred tax assets Joint was as follows:

	June 30, 2017	December 31, 2016
	Assets	Assets
	JD	JD
Balance at the beginning of the period / year	257,342	225,779
Additions during the period / year	54,279	85,595
Amortized during the period / year	(33,493)	(54,032)
Balance at the End of the Period / Year	<u>278,128</u>	<u>257,342</u>

The movement on the deferred tax assets and liabilities – Self was as follows:

	June 30, 2017		December 31, 2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance at the beginning of the period / year	2,348,792	234,557	2,259,582	969,033
Additions during the period / year	118,979	23,725	182,755	4,443
Amortized during the period / year	(57,854)	-	(93,545)	(738,919)
Balance at the End of the Period / Year	<u>2,409,917</u>	<u>258,282</u>	<u>2,348,792</u>	<u>234,557</u>

d. Summary of the Reconciliation between Accounting Income with Taxable Income:

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Accounting Income	20,488,474	16,520,868
Add: Unacceptable tax expenses	5,949,868	4,679,955
Tax-exempt Income	(95,693)	(56,641)
Other adjustments	(566,370)	1,805,811
Taxable Income	25,776,279	22,949,993
Effective income tax rate	35%	35%
Income Tax Provision - Net	9,021,698	8,032,497
Attributable to:		
Declared provision - Bank	7,037,437	6,453,745
Declared provision - Investment Risks Fund	1,595,337	1,381,871
Declared provision - Mutual insurance fund *	388,924	196,881
	9,021,698	8,032,479

- * The mutual insurance fund has been established to cover defaults on repayments due to death or total disability of the customers of sales receivables and financing as per the Fund's Articles of Association approved by the Central Bank of Jordan.

16. Other Liabilities

The details of this item are as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Certified cheques	8,813,443	11,789,842
Promissory notes, bills of collection and inward transfers	6,489,965	7,067,987
Accrued and unpaid expenses	627,117	98,653
Customers' share of revenues from joint investments (saving and time deposits)	6,285,223	5,874,870
Customers' share of revenues from (cash margin)	187,883	227,626
Commissions received in advance	363,458	409,848
Temporary deposit's and others *	7,959,658	11,334,520
Tax of mutual insurance fund	388,924	438,569
Board of Directors' remunerations	12,500	25,000
	31,128,171	37,266,915

- * Includes intermediate accounts amounted to JD 5,144,793 (JD 9,024,613 as of December 31, 2016) representing accepted Letters of Credit and deferred bills from customers and transferred to deferred sales receivables. This amount will be paid on the maturity date.

17. Unrestricted Investment Accounts

The details of this item are as follows:

June 30, 2017

	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving accounts	251,941,036	994,021	3,658,531	45,707	256,639,295
Time deposits *	562,171,734	70,664,005	54,859,762	37,932,020	725,627,521
Total	814,112,770	71,658,026	58,518,293	37,977,727	982,266,816
Depositors' share of the investment returns	6,963,708	1,199,603	562,581	70,526	8,796,418
Total Joint Investment Accounts	821,076,478	72,857,629	59,080,874	38,048,253	991,063,234

December 31, 2016

	Individuals	Large Companies	Small and Medium Companies	Government and Public Sector	Total
	JD	JD	JD	JD	JD
Saving accounts	251,566,602	782,555	4,167,671	44,404	256,561,232
Time deposits *	540,510,633	96,282,626	53,082,252	30,126,590	720,002,101
Total	792,077,235	97,065,181	57,249,923	30,170,994	976,563,333
Depositors' share of the investment returns	13,183,563	2,778,841	516,119	658,423	17,136,946
Total Joint Investment Accounts	805,260,798	99,844,022	57,766,042	30,829,417	993,700,279

* Time deposits include JD 9,047,798 as of June 30, 2017 (JD 7,432,990 as of December 31, 2016) (net after tax). This item represent the balance of the Mutual Insurance Fund established during 2013 to cover defaults on repayments of financings due to the death or total disability of the customers as per the Fund's Articles of Association approved by the Central Bank of Jordan.

- The joint investment accounts participate in profits based on the following:
- 30% from the monthly balance of saving accounts.
- 85% of the lowest balance of time deposits.
- The general rate of profit on the Jordanian Dinar for the first half of the year 2017. i.e. 2.948% (3.021% in the previous year).
- The general rate of profit on US Dollar for the first half of the year 2017. i.e. 0.53% (0.34% in the previous year).
- The restricted accounts amounted to JD 1,326,378 as of June 30, 2017 (JD 1,226,547 as of December 31, 2016).

- The joint investment accounts of the Government of Jordan and Public Sector inside the Kingdom amounted to JD 38,048,253 as of June 30, 2017- i.e. at 3.8% of the total joint investment accounts (JD 30,829,417 as of December 31, 2016- i.e. 3.1%).
- Dormant accounts amounted to JD 2,275,441 as of June 30, 2017 (JD 2,403,259 as of December 31, 2016).
- An amount of JD 246,068 was distributed among the cash margin accounts which participate in the profit.

18. Investment Risk Fund

- a. The movement on the Investment Risk Fund was as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	36,061,933	30,907,989
<u>Add:</u> Transferred from joint investment revenue for the period / year – statement of income	4,498,717	8,118,054
Amortized losses for the period / year	-	(120,973)
<u>Less:</u> income tax	(1,574,551)	(2,841,320)
Difference in translation of foreign currencies	2,829	(1,817)
Balance at the End of the Period / Year	<u>38,988,928</u>	<u>36,061,933</u>

The Fund's income tax item represents the following:

	June 30, 2017	December 31, 2016
	JD	JD
Accrued income tax on the transferred amounts from investment revenue	1,595,337	2,872,883
Deferred tax assets for the period / year	(54,279)	(85,595)
Amortization of deferred tax assets for the period / year	33,493	54,032
	<u>1,574,551</u>	<u>2,841,320</u>

- b. The Balance of the Investment Risks Fund is distributed as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Against impairment of deferred sales receivables (Note 6)	7,868,671	8,325,938
Against impairment in investments in real estate (Note 12)	4,550,577	4,131,018
Against impairment in assets seized against debts	45,430	8,164
Remaining Balance (The Undistributed portion)	<u>26,524,250</u>	<u>23,596,813</u>

- Deduction of 10% from the gross revenue of the joint investment accounts continues to be made until the Investment Risk Fund balance reaches 200% of the Bank's authorized and paid-up capital.
- The remaining balance represents the undistributed portion over the joint investments accounts.

The movement on the tax of the Investment Risk Fund was as follows:

	June 30, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the period / year	2,279,185	2,148,821
<u>Less:</u> Income tax paid	(2,277,794)	(2,742,519)
<u>Add:</u> Accrued income tax for the period / year	1,595,337	2,872,883
Balance at the End of the Period / Year	<u>1,596,728</u>	<u>2,279,185</u>

- A final settlement was reached with the Income and Sales Tax Department until the end of the year 2014. Moreover, the tax return for the year 2015 and 2016 were submitted and the declared taxes were paid but not yet reviewed by the Income and Sales Tax Department.
- The income tax paid for the mutual insurance fund during the period amounted to JD 438,568.

19. Fair Value Reserve - Net

The details of this item are as follows:

	Self	
	June 30, 2017	December 31, 2016
	JD	JD
Financial assets at fair value through shareholders' equity	479,665	435,605
Balance at the End of the Period / Year	<u>479,665</u>	<u>435,605</u>

The movement on the fair value reserve was as follows:

	Self	
	June 30, 2017	December 31, 2016
	JD	JD
Balance at the beginning of the Period / year	435,605	427,355
Unrealized gains	67,785	12,693
Released from the deferred tax liabilities	(23,725)	(4,443)
Balance at the End of the Period / Year	<u>479,665</u>	<u>435,605</u>

The fair value reserve is stated at net (after deducting deferred tax liabilities-self) of JD 479,665 as of June 30, 2017 (JD 435,605 as of December 31, 2016).

20. Deferred Sales Revenue

The details of this item are as follows:

	Joint		Self		Total	
	For the Six-Months Period Ended June 30,		For the Six-Months Period Ended June 30,		For the Six-Months Period Ended June 30,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Individuals (retail):						
Murabaha to the purchase orderer	8,173,106	6,517,339	-	-	8,173,106	6,517,339
Real estate financings	4,198,722	3,695,961	-	-	4,198,722	3,695,961
Large Companies:						
International Murabaha	594,061	293,506	-	-	594,061	293,506
Murabaha to the purchase orderer	5,868,326	5,861,832	510	847	5,868,836	5,862,679
Small and medium Size Companies:						
Murabaha to the purchase orderer	3,017,446	2,259,074	-	-	3,017,446	2,259,074
Deferred payment sale	8,736	8,736	-	-	8,736	8,736
Total	<u>21,860,397</u>	<u>18,636,448</u>	<u>510</u>	<u>847</u>	<u>21,860,907</u>	<u>18,637,295</u>

21. Revenue from Financing Investments

The details of this item are as follows:

	Joint	
	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Large companies:		
Mudaraba	6,894	174,414
	<u>6,894</u>	<u>174,414</u>

22. Net (Expenses) from Investment in Real Estate

The details of this item are as follows:

	Joint	
	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Real estate rents	80,943	77,606
Gains from real estate sales	-	71,262
Depreciation of buildings	(376,523)	(272,343)
Other expenses	(53,910)	(26,894)
	<u>(349,490)</u>	<u>(150,369)</u>

23. Share of Unrestricted Investment Accounts Holders

The details of this item are as follows:

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Customers:		
Revenue of investments, saving accounts – cash margins – saving deposit	835,410	729,290
Revenue of investment time deposit accounts – cash margins – time deposits	8,617,429	8,716,613
Total	<u>9,452,839</u>	<u>9,445,903</u>

24. Bank's Share in income from Joint Investment as Mudarib and Fund Owner (Rab Al-Mal)

The details of this item are as follows:

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Bank's share as Mudarib	11,275,652	11,804,515
Bank's share as Fund Owner (Rab Al-Mal)	19,759,959	13,844,525
	<u>31,035,611</u>	<u>25,649,040</u>

25. Bank's Self Finance Revenue

The details of this item are as follows:

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Revenue from deferred sales (Note 20)	510	847
Revenue from financial assets at amortized cost	-	2,935
Revenue from Ijara (lease-to-own) assets	13,495	388,050
Shares dividends	14,470	30,487
Total	28,475	422,319

26. Capital Management

The Bank's Management takes into consideration the requirements of the Central Bank. These requirements necessitate making available sufficient self-funds to cover a specific rate of the risk-weighted assets consistent with the nature of the granted financing and direct investment for this purpose. Moreover, capital consists of what the Central Bank has determined as regulatory capital (being the primary capital and the supplementary capital).

The capital's Management aims at investing the funds in financial instruments with various risks (high risk and low risk) in order to realize a good return as well as to realize the capital adequacy ratio of 12% required by the Central Bank.

Capital adequacy ratio is calculated according to the Central Bank of Jordan Instructions based on the Islamic Financial Services Board Regulations, the capital adequacy ratio compared with previous period are as follows :

	<u>(to the nearest 000 JDs)</u>	
	<u>June 30, 2017</u>	<u>December 31, 2016</u>
	JD	JD
Primary capital items	141,676	141,637
Authorized and paid-up capital	100,000	100,000
Statutory reserve	21,383	21,383
Voluntary reserve	4,262	4,262
Retained earnings	16,426	16,487
<u>Less:</u> Intangible assets	(395)	(495)
Supplementary capital		
Fair value reserve	216	196
General banking risks reserve	882	882
Bank's share of the general banking risks reserve – Joint	5,494	5,103
Bank's share of the surplus of Investment Risks Fund – Joint	7,609	6,577
Total Regulatory Capital	<u>155,877</u>	<u>154,395</u>
Total Risk-weighted Assets	<u>1,010,054</u>	<u>952,506</u>
Capital Adequacy Ratio (%)	<u>15,43%</u>	<u>16,21%</u>
Primary Capital Ratio (%)	<u>14,03%</u>	<u>14,87%</u>

- The Central Bank of Jordan has issued instructions to banks relating to regulatory capital pursuant to Basel III Standard effective from 2016 third-quarter financial statements. However, the instructions did not include Islamic banks, and no related instructions have been issued to Islamic banks as of the date of the condensed interim financial statements.

27. Cash and Cash Equivalent

The details of this item are as follows:

	<u>For the Six-Months Period Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>
	JD	JD
Cash and balances with the Central Bank maturing within three months	549,080,916	659,665,620
<u>Add:</u> Balances at banks and financial institutions maturing within three months	22,598,366	23,694,123
<u>Less:</u> Banks and financial institutions' accounts maturing within three months	(661,811)	(112,077)
	<u>571,017,471</u>	<u>683,247,666</u>

28. Balances and Transactions with Related Parties

The Bank conducts transactions with shareholders, members of the Board of Directors, Executive Management and Sister Companies in the ordinary course of its business using the Murabaha and commercial commissions rates.

The following is a summary of the transactions with related parties:

	Arab Bank (Parent Company)	Members of the Board	Subsidiaries of the Parent Companies	Member Of Shari'a Supervisory Board	Executive Management	Total	
						June 30, 2017	December 31, 2016
Statement of Financial Position Items:	JD	JD	JD	JD	JD	JD	JD
Balances with banks and financial institutions	17,993,880	-	-	-	-	17,993,880	18,443,719
International Murabaha (commodities investment)	101,898,440	-	-	-	-	101,898,440	98,574,977
Mudaraba financings	-	-	217,861	-	-	217,681	255,367
Banks' and financial institutions accounts	417,400	-	-	-	-	417,400	87,619
Joint investment accounts and current accounts	-	19,772	-	64,877	876,863	961,512	748,023
Financial assets at fair value through shareholders' equity managed by sister company	-	-	5,587,637	-	-	5,587,637	5,519,852
Sales receivables, financings and Ijara	-	-	-	96,714	1,177,465	1,274,179	1,748,964
Off – Statement of Financial Position Items							
Guarantees	12,537,369	-	-	-	-	12,537,369	12,537,369
						For the Six-Months Period Ended June 30,	
Statement of Income Items:						2017	2016
						JD	JD
Distributed profit – deposits' accounts	-	-	-	16	5,587	5,603	4,271
Received profit - receivables	-	-	6,894	3,431	32,620	42,945	237,428
Shares' dividends	-	-	14,470	-	-	14,470	30,487
Received commissions-off statement of financial position	31,338	-	-	-	-	31,338	31,338
Salaries and remunerations *	-	25,000	-	42,000	982,781	1,049,781	928,273
Transportation	-	52,500	-	-	10,200	62,700	66,600

- The lowest Murabaha rate that the Bank received was 3%. and the highest Murabaha rate was 4.3%. Meanwhile, the dividends distribution rate in Jordanian Dinar was 2.975%.
- All financings granted to related parties are performing, and consequently, no related provisions have been booked.
- * The Central Bank of Jordan Circular No. 10/2/4676 regarding the definition of Executive Management has been implemented.

29. Information about the Bank's Business Sectors

a. Information about the Bank's Activities

The Bank is organized, for administrative purposes, whereby the sectors are measured in accordance with the reports used by the Bank's Executive Manager and decision-maker through the following four major sectors:

Individual (Retail) Banking

This includes following up on the joint investment accounts, deferred sales receivables, financings, credit cards and other services.

Companies Banking

This includes following up on the joint investment accounts, deferred sales receivables, financings, credit cards and other banking services.

Treasury

This sector includes providing trading and treasury services and management of the Bank's funds.

The following represents information about the Bank's business sectors distributed according to activities (amounts in 000 JD):

	Retail	Companies	Treasury	Others	Total	
					For the Six-Months Period Ended June 30,	
					2017	2016
	JD	JD	JD	JD	JD	JD
Gross revenue (joint and self)	24,809	15,750	564	12	41,135	35,294
Share of Investment Risks Fund	-	(4,499)	-	-	(4,499)	(3,899)
Impairment in value of sales receivables and other receivables - self	-	(49)	-	-	(49)	(195)
Business Sector Results	24,809	11,202	564	12	36,587	31,200
Undistributed expenses	(5,941)	(1,884)	(132)	(8,142)	(16,099)	(14,679)
Income before Tax	18,868	9,318	432	(8,130)	20,488	16,521
Income tax	(6,604)	(3,261)	(151)	3,040	(6,976)	(5,686)
Income for the Period	12,264	6,057	281	(5,090)	13,512	10,835
					June 30, 2017	December 31, 2016
Segment's assets	785,773	415,587	712,624	-	1,913,984	1,905,625
Undistributed assets to the sectors	-	-	-	63,394	63,394	64,193
Total Segment's Assets	785,773	415,587	712,624	63,394	1,977,378	1,969,818
Segment's Liabilities, joint investment account holder's equity and the investment	1,379,260	395,208	661	-	1,775,129	1,761,566
Undistributed Liabilities, joint investment account holder's equity and the investment	-	-	-	42,893	42,893	52,453
Total Segment's Liabilities and joint investment account holder's equity and the investment	1,379,260	395,208	661	42,893	1,818,022	1,814,019
					June 30, 2017	2016
					JD	JD
Capital expenses	-	-	-	1,003	1,003	595
Depreciation and amortization	897	3	1	585	1,486	1,744

30. Earnings Per Share

The details of this item are as follows:

	For the Six-Months Period Ended June 30,	
	2017	2016
	JD	JD
Income for the period	13,512,162	10,835,225
Weighted-average number of shares	100,000,000	100,000,000
Earnings per Share for the Year / Basic and Diluted	-/135	-/108

31. Commitments and Contingent Liabilities (Off – Statement of Financial Position)

Credit Commitments and Obligations

	June 30, 2017	December 31, 2016
	JD	JD
Letters of credit	26,054,002	23,961,187
Acceptances	6,482,167	9,773,365
Letters of Guarantee:		
Payment	24,342,999	23,296,869
Performance	16,527,351	16,133,636
Others	17,054,966	15,590,754
Unutilized limits	152,083,274	153,561,498
Total	242,544,759	242,317,309

32. Lawsuits against the Bank

There are lawsuits raised against the Bank amounting to JD 270,402 as of June 30, 2017 (lawsuits amounting to JD 288,202 as of December 31, 2016) with an impairment provision of JD 50,000 as of June 30, 2017. Based on the opinion of the legal consultant, no additional amounts will be claimed from the Bank in respect of those lawsuits.

33. Reserves

- The Bank didn't take any legal reserve as per the instruction of the Company's law since these financial statements are condensed interim, a provision will be taken at the end of the year.

34. Fair Value Measurement

The standard requires determining the level and disclosure of the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRSs. The difference between level (2) and level (3) of the fair value measurements, i.e., assessing whether the inputs are observable and whether the unobservable inputs are significant. This may require judgement and careful analysis of the inputs used to measure fair value including consideration of factors specific to the asset or liability.

a. The Bank's Fair Value of Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis:

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each financial period. The following table gives information about the method of determining the fair value of such financial assets and financial liabilities (valuation techniques and key inputs)

Financial Assets / Financial Liabilities	Fair Value as at		Fair Value Hierarchy	Valuation Method and Key Inputs	Significant unobservable Inputs	Relationship between Unobservable Inputs and Fair Value
	June 30, 2017	December 31, 2016				
	JD	JD				
Financial Assets at Fair Value:						
Financial Assets at Fair Value through Shareholders' Equity:						
Shares quoted in the market	5,587,637	5,519,852	Level 1	Quoted rates in the Financial Markets	Not Applicable	Not Applicable
Shares not quoted in the market	230,749	-	Level 2	Discounted cash flow	Not Applicable	Not Applicable
Total	5,818,386	5,519,852				

There were no transfers between Level (1) and Level (2) during the six-months period ended in June 30, 2017 and the year 2016.

b. The Bank's Fair Value of Financial Assets and Financial Liabilities Not Measured at Fair Value on a Recurring Basis:

Except for what is detailed in the table below, we believe that the carrying amounts of the financial assets and financial liabilities presented in the Bank's condensed interim financial statements approximate their fair values:

	June 30, 2017		December 31, 2016		Fair Value Hierarchy
	Book Value	Fair Value	Book Value	Fair Value	
	JD	JD	JD	JD	
Financial Assets not Measured at Fair Value					
Deferred sales receivables	671,636,961	671,707,340	613,132,971	613,170,807	Level 2
Investments in real estate	21,402,621	22,715,934	21,023,966	22,027,117	Level 2
Financial assets at amortized cost	43,521,624	43,861,620	33,857,822	34,055,095	Level 1
Total financial assets not Measured at fair value	736,561,206	738,284,894	668,014,759	669,253,019	
Financial Liabilities not Measured at Fair Value					
Customers' current and unrestricted accounts	1,716,501,936	1,722,787,159	1,709,122,497	1,714,997,367	Level 2
Cash margins	31,440,877	31,628,760	28,738,283	28,965,909	Level 2
Total Financial Liabilities not Measured at Fair Value	1,747,942,813	1,754,415,919	1,737,860,780	1,743,963,276	

Regarding the items described above, the fair value of the financial assets and liabilities has been determined for Levels (2) and (3) in accordance with the generally accepted pricing models which reflect the credit risk with the parties dealt with.