

ARAB BANK GROUP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

ARAB BANK GROUP
FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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To the Shareholders
Arab Bank plc
Amman – Jordan

We have audited the accompanying consolidated financial statements of Arab Bank Group, which comprise of the consolidated statement of financial position as of December 31, 2015, and the consolidated statements of income, comprehensive income, changes in owners' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.



An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as, evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arab Bank Group as of December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Additional Statement

We refer to disclosure number (57) in the attached consolidated financial statements in relation to the lawsuit filed against the Bank in the United States of America in 2004. This has no impact on our clean opinion above.

Amman – Jordan
January 28, 2016


Deloitte & Touche (M.E.) – Jordan
Deloitte & Touche (M.E.)
Public Accountants
Amman - Jordan

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31,	
		2015	2014
		USD '000	Represented USD '000
ASSETS			
Cash and balances with central banks	6	9 472 381	7 391 974
Balances with banks and financial institutions	7	2 992 403	4 664 078
Deposits with banks and financial institutions	8	99 018	110 446
Financial assets at fair value through profit or loss	9	831 980	1 126 894
Financial derivatives - positive fair value	40	58 235	56 264
Direct credit facilities at amortized cost	11	22 180 987	22 002 028
Financial assets at fair value through other comprehensive income	10	479 038	477 547
Other financial assets at amortized cost	12	9 003 709	9 117 018
Investment in associates	13	2 916 290	2 829 624
Fixed assets	14	461 135	473 241
Other assets	15	490 788	504 552
Deferred tax assets	16	58 629	58 932
Total Assets		49 044 593	48 812 598
LIABILITIES AND OWNERS' EQUITY			
Banks' and financial institutions' deposits	17	3 636 734	4 081 113
Customer deposits	18	32 799 228	32 065 271
Cash margin	19	2 443 090	2 903 558
Financial derivatives - negative fair value	40	53 705	62 489
Borrowed funds	20	75 745	87 091
Provision for income tax	21	235 918	235 248
Other provisions	22	145 235	144 203
Other liabilities	23	1 627 254	1 332 960
Deferred tax liabilities	24	12 103	11 924
Total Liabilities		41 029 012	40 923 857
Share capital	25	926 615	826 223
Share premium	25	1 225 747	1 225 747
Statutory reserve	26	753 065	712 722
Voluntary reserve	27	977 315	977 315
General reserve	28	1 141 824	1 141 824
General banking risks reserve	29	363 458	363 458
Reserves with associates		1 540 896	1 540 896
Foreign currency translation reserve	30	(284 609)	(122 751)
Investment revaluation reserve	31	(260 621)	(219 278)
Retained earnings	32	1 502 867	1 315 525
Total Equity Attributable to the Shareholders of the Bank		7 886 557	7 761 681
Non-controlling interests	32	129 024	127 060
Total Owners' Equity		8 015 581	7 888 741
TOTAL LIABILITIES AND OWNERS' EQUITY		49 044 593	48 812 598

The accompanying notes from (1) to (58) are an integral part of these consolidated financial statements and should be read with them and with the accompanying independent auditor report.

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF INCOME

	Note	2015 USD '000	2014 Represented USD '000
REVENUE			
Interest income	33	1 815 895	1 845 096
Less: interest expense	34	724 757	770 148
Net interest income		1 091 138	1 074 948
Net commissions income	35	319 603	321 593
Net interest and commissions income		1 410 741	1 396 541
Foreign exchange differences		70 827	55 830
Gain from financial assets at fair value through profit or loss	36	14 315	7 046
Dividends on financial assets at fair value through other comprehensive income	10	5 430	8 566
Group's share of profits of associates	13	356 981	348 201
Other revenue	37	50 066	61 125
TOTAL INCOME		1 908 360	1 877 309
EXPENSES			
Employees' expenses	38	440 652	434 754
Other expenses	39	295 433	285 996
Depreciation and amortization	14	54 846	56 612
Provision for impairment - direct credit facilities at amortized cost	11	32 891	36 161
Provision for impairment - other financial assets at amortized cost	12	-	6 422
Other provisions	22	16 210	16 045
TOTAL EXPENSES		840 032	835 990
Legal expenses	57	349 000	200 000
PROFIT FOR THE YEAR BEFORE INCOME TAX		719 328	841 319
Less: Income tax expense	21	277 205	264 166
PROFIT FOR THE YEAR		442 123	577 153
Attributable to :			
Bank shareholders		430 830	573 687
Non-controlling interests	32	11 293	3 466
Total		442 123	577 153
Earnings per share attributable to Bank Shareholders			
- Basic and Diluted (US Dollars)	54	0.67	0.90

The accompanying notes from (1) to (58) are an integral part of these consolidated financial statements and should be read with them and with the accompanying independent auditor report.

ARAB BANK GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2015	2014
		USD '000	USD '000
Profit for the Year		442 123	577 153
<u>Add: Other comprehensive income items - after tax</u>			
<u>Items that will be subsequently transferred to the consolidated statement of Income</u>			
Exchange differences arising on the translation of foreign operations	30	(165 218)	(194 911)
<u>Items that will not be subsequently transferred to the consolidated statement of Income</u>			
Net change in fair value of financial assets at fair value through other comprehensive income	31	(42 874)	7 943
Total Other Comprehensive Income Items - After Tax		(208 092)	(186 968)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		234 031	390 185
<u>Attributable to :</u>			
- Bank shareholders		227 660	397 663
- Non-controlling interests		6 371	(7 478)
Total		234 031	390 185

The accompanying notes from (1) to (58) are an integral part of these consolidated financial statements and should be read with them and with the accompanying independent auditor report.

ABAB BANK GROUP
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	USD '000		USD '000		USD '000		USD '000		USD '000		USD '000		USD '000	
	Share Capital	Share Premium	Statutory Reserve	Voluntary Reserve	General Reserve	General Banking Fund Reserve	Reserve with Associates	Foreign Currency Translation Reserve	Investment Reserve	Retained Earnings	Total Equity Attributable to the Shareholders of the Bank	Non-controlling Interests	Total Owners' Equity	
For the year ended December 31, 2015														
Balance at the Beginning of the year	826 213	1 225 747	712 722	977 315	1 161 824	362 458	1 540 895	(122 751)	(219 270)	1 315 525	7 761 681	127 669	7 889 244	
Profit for the year	-	-	-	-	-	-	-	-	-	430 810	428 828	11 293	443 123	
Other comprehensive income for the year	-	-	-	-	-	-	-	(161 158)	(41 312)	-	(202 170)	(4 922)	(208 092)	
Total Comprehensive Income for the Year	-	-	-	-	-	-	-	(161 158)	(41 312)	430 810	227 658	6 371	234 031	
Transferred to statutory reserve	-	-	40 343	-	-	-	-	-	(40 343)	-	-	-	-	
Investment revaluation reserve transferred to retained earnings	10	-	-	-	-	-	-	-	(31)	31	-	-	-	
Dividends Paid	32	-	-	-	-	-	-	-	-	(101 772)	(186 772)	(3 610)	(187 382)	
Adjustments during the year	-	-	-	-	-	-	-	-	-	(1 012)	(1 012)	1 203	191	
Increases in Share Capital (Stock Dividends)	32	-	-	-	-	-	-	-	-	(100 392)	-	-	-	
Balance at the End of the Year	926 615	1 225 747	753 065	977 315	1 161 824	362 458	1 540 895	(264 009)	(260 581)	1 962 667	7 865 697	129 024	8 018 581	

For the year ended December 31, 2014

Balance at the Beginning of the year	776 627	1 225 747	643 808	977 315	1 022 824	303 428	1 540 895	61 715	(228 393)	437 833	7 621 382	146 346	7 767 728
Profit for the year	-	-	-	-	-	-	-	-	-	573 637	573 637	3 466	577 103
Other comprehensive income for the year	-	-	-	-	-	-	-	(184 460)	8 442	-	(176 018)	(10 949)	(185 960)
Total Comprehensive Income for the Year	-	-	-	-	-	-	-	(184 460)	8 442	573 637	397 619	(7 473)	390 145
General reserve transferred to retained earnings	-	-	-	-	(681 000)	-	-	-	-	681 000	-	-	-
Transferred to statutory reserve	-	-	68 862	-	-	-	-	-	-	(68 862)	-	-	-
Investment revaluation reserve transferred to retained earnings	10	-	-	-	-	-	-	-	673	(673)	-	-	-
Dividends Paid	32	-	-	-	-	-	-	-	-	(231 894)	(231 824)	(3 922)	(235 816)
Adjustments during the year	-	-	-	-	-	-	-	-	-	(25 470)	(25 470)	(3 889)	(29 359)
Increase in Share Capital (Stock Dividends)	32	-	-	-	-	-	-	-	-	(50 195)	-	-	-
Balance at the End of the Year	808 223	1 225 747	712 722	977 315	1 161 824	362 428	1 540 895	(122 751)	(219 270)	1 315 525	7 761 681	127 669	7 889 244

* Retained earnings include withheld deferred tax assets in the amount of USD 26.6 million, as well as unrealized gains from financial assets at fair value through profit or loss in the amount of USD 8.7 million. Restricted retained earnings that cannot be distributed or otherwise utilized except under certain circumstances, as a result of adopting of certain International Accounting Standards, amounted to USD 2.5 million as of December 31, 2015.

* The retained earnings include an unrealized loss in the amount of USD (169.1) million as a result of the adoption of IFRS 9 as of December 31, 2015.

* The use of the General Banking Risk Reserve is restricted and requires prior approval from the Central Bank of Jordan.

* The use of an amount of USD (260.6) million as of December 31, 2015 which represents the negative investment revaluation reserve balance is restricted according to Jordan Securities Commission regulations.

The accompanying notes from (1) to (59) are an integral part of these consolidated financial statements and should be read with them and with the accompanying independent auditor report.

ARAB BANK GROUP
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2015	2014
		USD '000	Represented USD '000
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit for the year before tax		719 328	841 319
Adjustments for:			
- Depreciation and amortization	14	54 846	56 612
- Provision for impairment - direct credit facilities at amortized cost	11	32 891	36 161
- Net interest income		11 762	4 942
- (Gain) from sale of fixed assets		(2 312)	(2 025)
- (Gain) from revaluation of financial assets at fair value through profit or loss	36	(8 733)	(3 616)
- Dividends from financial assets at fair value through other comprehensive income	10	(5 430)	(8 566)
- Group's share from associates profits	13	(356 981)	(348 201)
- Provision for impairment- other financial assets at amortized cost		-	6 422
- Other provisions		16 210	16 045
Total		461 581	599 093
<u>(Increase) decrease in assets:</u>			
Balances with central banks (maturing after 3 months)		103 436	60 171
Deposits with banks and financial institutions (maturing after 3 months)		11 428	(42 950)
Direct credit facilities at amortized cost		(211 850)	(605 636)
Financial assets at fair value through profit and loss		303 647	(188 908)
Other assets and financial derivatives		10 335	33 934
<u>Increase (decrease) in liabilities:</u>			
Bank and financial institutions deposits (maturing after 3 months)		429 144	35 032
Customer deposits		733 957	1 342 440
Cash margin		(460 468)	(763 666)
Other liabilities and financial derivatives		258 962	140 756
Net Cash Generated by Operating Activities before Income Tax		1 640 172	610 266
Income tax paid		(279 171)	(231 136)
Net Cash Generated by Operating Activities		1 361 001	379 130
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
(Purchase) of financial assets at fair value through other comprehensive income		(13 360)	(15 595)
Maturity (Purchase) of other financial assets at amortized cost		113 309	(593 336)
(Increase) of investments in associates		(752)	(35 765)
Dividends received from associates	13	178 489	153 329
Dividends from financial assets at fair value through other comprehensive income	10	5 430	8 566
(Purchase) of fixed assets	14	(76 584)	(61 696)
Proceeds from selling fixed assets		22 965	12 965
Net Cash Generated by (Used in) Investing Activities		229 497	(531 532)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
(Paid) borrowed funds		(11 346)	(18 279)
Dividends paid to shareholders		(101 080)	(230 611)
Dividends paid to non-controlling interests		(5 610)	(5 922)
Net Cash (Used in) Financing Activities		(118 036)	(254 812)
Net Increase (Decrease) in Cash and Cash Equivalents		1 472 462	(407 214)
Exchange differences - change in foreign exchange rates		(86 771)	(165 262)
Cash and cash equivalent at the beginning of the year		8 129 224	8 701 700
Cash and Cash Equivalent at the End of the Year	56	9 514 915	8 129 224

The accompanying notes from (1) to (58) are an integral part of these consolidated financial statements and should be read with them and with the accompanying independent auditor report.

ARAB BANK GROUP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

1. General

- 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 - Jordan, and the Bank operates worldwide through its 75 branches in Jordan and 120 branches abroad, its subsidiaries and sister company Arab Bank (Switzerland) Limited.
- Arab Bank plc General Assembly in its extraordinary meeting held on March 26, 2015 approved to increase the Banks' capital by USD 100.4 million, to become USD 926.6 million. The bank has completed the legal procedures with the Ministry of Industry and Trade on April 5, 2015 and with Jordan Securities Commission on April 21, 2015.
- Arab Bank plc shares are traded on Amman Stock Exchange.
- The accompanying consolidated financial statements were approved by the Board of Directors in its meeting Number (1) on January 28, 2016 and are subject to the approval of the General Assembly of Shareholders and the Central Bank of Jordan.

2. Basis of Consolidation

- The accompanying consolidated financial statements of Arab Bank Group, presented in US dollars, comprise the financial statements of Arab Bank plc, its sister company, Arab Bank (Switzerland) Limited and its subsidiaries. The Group main subsidiaries are as follows:

Company Name	Percentage of ownership		Date of Acquisition	Principal Activity	Place of Incorporation	Paid-up Capital
	2015 %	2014 %				
Europe Arab Bank plc	100.00	100.00	2006	Banking	United Kingdom	€ 610m
Arab Bank Australia Limited	100.00	100.00	1994	Banking	Australia	AUD 62.5m
Islamic International Arab Bank plc	100.00	100.00	1997	Banking	Jordan	JD 100m
Arab National Leasing Company L.L.C.	100.00	100.00	1996	Financial Leasing	Jordan	JD 25m
Al-Arabi Investment Group L.L.C.	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 plc	50.00	50.00	2006	Insurance	Jordan	JD 10m

- Subsidiaries are companies under the effective control of Arab Bank plc. Control is achieved when the Group has the power to govern the strategic financial and operating policies of the subsidiary so as to obtain benefits from its activities. The investment in subsidiaries is stated at cost when preparing the financial statements for Arab Bank Plc
- The consolidated financial statements reflect the financial position and results of operations at the level of the consolidated economic ownership of Arab Bank plc and the sister company Arab Bank (Switzerland) Limited, which is considered an integral part of Arab Bank Group.
- The financial statements of subsidiaries are prepared using uniform accounting policies of those 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 subsidiaries are included in the 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 of during the year are included in the consolidated statement of income up to the effective date of disposal, which is the date of loss of control over the subsidiary.
- Upon consolidation, inter-Group transactions and balances between Arab Bank plc, the sister company, Arab Bank (Switzerland) Limited and other subsidiaries are eliminated. Items in transit are stated within other assets or other liabilities, as appropriate. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within owners' equity in the consolidated statement of financial position.
- Acquisition of business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire. Acquisition related costs are generally recognized in consolidated statement or Income as incurred.

3. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

- a. New and revised IFRSs applied with no material effect on the consolidated financial statements:

The following new and revised IFRSs have been adopted in the preparation of the group consolidated financial statements for which they did not have any material impact on the amounts and disclosures of the consolidated financial statements; however, they may affect the accounting for future transactions and arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.
- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.
- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

b. New and Revised IFRSs issued but not yet effective

The following new and revised IFRSs have been issued but are not effective yet:

The Group has not applied the following new and revised IFRSs that are available for early application but are not effective yet:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for either by using IFRS 9 or using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	1 January 2016

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 15 Revenue from Contracts with Customers

1 January 2018

In May 2015, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 16 Leases

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture

Effective date deferred indefinitely

Management anticipates that these new and revised standards, interpretations and amendments will be adopted in the Group's consolidated financial statements when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application. Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's financial statements for the annual year beginning 1 January 2018 and IFRS 16 for the annual year beginning on or after 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of revenue from contracts with customers and the Group's consolidated financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review

4. Significant Accounting Policies

Basis of preparation of the consolidated financial statement

- The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Interpretations issued by the International Financial Reporting Interpretations Committee, the prevailing rules in the countries where the Group operates and the instructions of the Central Bank of Jordan.
- The consolidated financial statements are prepared using the historical cost principle, except for some of the financial assets and financial liabilities which are stated at fair value as of the date of the consolidated financial statements.
- The accounting policies adopted for the current year are consistent with those applied in the year ended December 31, 2014 except for what is stated in note (3 - a) to the consolidated financial statements.

a. Revenue Recognition

Interest Income and Expenses

Interest income and expenses for all interest bearing financial instruments are recognized in the consolidated statement of income using the effective interest rate method except for interest and commissions on non performing credit facilities, which are recorded as interest and commission in a suspense account.

The effective interest rate method is a method of calculating the amortized cost of financial assets or financial liabilities and allocating the interest income and expenses over the relevant period. The effective interest rate method is the rate that discounts estimated future cash payments or receipts through the expected life of the financial assets or financial liability, or where appropriate a shorter period to the net carrying of the financial asset or the financial liability. The Group estimates the cash flow considering all contractual terms of the financial instruments but does not consider future credit losses.

Commission income in general is recognized on accrual basis arises. Loan recoveries are recorded upon receipt.

Dividends income

Dividends income from financial assets is recognized when the Group's right to receive dividends has been established (upon the general assembly resolution).

Insurance Contract Revenue

Insurance premiums arising from insurance contract are recorded as revenue for the year (earned insurance premiums) on the basis of the maturities of time periods and in accordance with the insurance coverage periods. Insurance premiums from insurance contracts unearned at the date of the consolidated statement of financial position are recorded as unearned insurance premiums within other liabilities.

Leasing Contracts Revenue

The Group's policy relating to leasing contracts is illustrated in note (4.C) below.

b. Direct Credit Facilities

The provision for the impairment of direct credit facilities is recognized when it is obvious that the amounts due to the Group cannot be recovered or when there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities and the impairment amount can be estimated. The provision is recorded in the consolidated statement of income.

Interest and commission on non-performing credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan and the applicable laws in the countries where the Bank's subsidiaries and branches operate.

Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all efforts have been made to recover the assets and after the proper approval of the management. Any surplus in the provision are recorded in the consolidated statement of income, while debts recoveries are recorded in income.

Non-performing direct credit facilities which are completely covered with provisions and suspended interest, are transferred to items off the consolidated statement of financial position. In accordance with the Bank's internal policies, after the proper approval of the management.

c. Leasing contracts

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases:

1. The Group as a lessor:

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and on a straight-line basis over the lease term.

2. The Group as a lessee:

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease payments. The finance lease obligation is recorded at the same value. Lease payments are apportioned between finance costs and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are charged directly to the consolidated statement of income.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

d. Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the date of the consolidated financial statements using the exchange rate prevailing at the date of the consolidated financial statement. Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.

Non-monetary items recorded at historical cost are translated according to the exchange at fair value rate prevailing at the transaction date, using the exchange rate prevailing at the date of evaluation.

Differences resulting from the translation of non-monetary assets and liabilities at fair value denominated in foreign currency, such as equity shares, are recorded as part of the change in the fair value using the exchange rates prevailing at the date of evaluation.

Upon consolidation, the financial assets and financial liabilities of the branches, sister company and subsidiaries abroad are translated from the local currency to the reporting currency at the average rates prevailing at the date of the consolidated financial statements. Exchange differences arising from the revaluation of the net investment in the branches and subsidiaries abroad are recorded in a separate item in consolidated other comprehensive income items.

e. Fixed assets

Fixed assets are stated at historical cost, net of accumulated depreciation and any accumulated impairment in value. Such cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of fixed assets have different useful lives, they are accounted for as separate items of fixed assets.

Depreciation is charged so as to allocate the cost of assets using the straight-line method, using the useful lives of the respective assets

Land and assets under construction are not depreciated.

Assets under construction is carried at cost, less any accumulated impairment losses and is depreciated when the assets are ready for intended use using the same depreciation rate of the related category with fixed assets.

Fixed assets are derecognized when disposed of or when no future benefits are expected from their use or disposal.

The gain or loss arising on the disposal of an item (the difference between the net realizable value and the carrying amount of the asset) is recognized in the consolidated statement of income in the year that the assets were disposed.

f. Intangible Assets

1. Goodwill

Goodwill is recorded at cost, and represents the excess amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an associated company constitutes part of the investment in that company. The cost of goodwill is subsequently reduced by and decline in the value of the investment.

Goodwill is distributed over the cash generating units for the purpose of testing the impairment in its value.

The value of goodwill is tested for impairment on the date of the consolidated financial statements. Good will value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating units is less than book value. The decline in the values is recoded in the consolidated statement of income as impairment loss.

2. Other Intangible Assets

Other intangible assets acquired through merging are stated at fair value at the date of acquisition, while other intangible assets (not acquired through merging) are recorded at cost.

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives using the straight line method, and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed in statement income for impairment as of the consolidated financial statements date, and impairment loss is recorded in the consolidated statement of income.

Intangible assets resulting from the banks operations are not capitalized. They are rather recorded in the consolidated statement of income in the same period.

Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

g. Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the consolidated financial statements as a result of the bank's continuous control over these assets and as the related risk and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

Purchased assets with corresponding commitment to sell at a specific future date are not recognized in the consolidated financial statements because the bank has no control over such assets and the related risks and benefits are not transferred to the Bank upon occurrence. Payments related to these contracts are recoded under deposits with banks and other financial institutions or loans and advances in accordance with the nature of each case. The difference between the purchase price and resale price is recoded as interest revenue amortized over the life of the contract using the effective interest rate method.

h. Capital

Cost of issuing or purchasing the Group's shares are recorded in retained earnings net of any tax effect related to these costs. If the issuing or purchase process has not been completed, these costs are recorded as expenses in the consolidated statement of income.

i. Investments in Associates

Associates are those in which the Group exerts significant influence over the financial and operating policy decisions, and in which the Group holds between 20% and 50% of the voting rights.

Investments in associated companies are accounted for according to the equity method.

Transactions and balances between the Group and the associates are eliminated to the extent of the Group's ownership in the associate.

j. Income Taxes

Income tax expenses represent current and deferred taxes for the year.

Income tax expense is measured on the basis of taxable income. Taxable income differs from income reported in the consolidated financial statements, as the latter includes non-taxable revenue, tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses approved by tax authorities and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the enacted tax rates according to the prevailing laws, regulations and instructions of countries where the Group operates.

Taxes expected to be incurred or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred taxes are calculated on the basis of the liability method, and according to the rates expected to be enacted when it is anticipated that the liability will be settled or when tax assets are recognized.

Deferred tax assets are reviewed on the date of the consolidated financial statements, and reduced if it is expected that no benefit will arise from the deferred tax, partially or totally.

k. Financial Assets

Financial assets transactions are measured at the trade date at fair value net of direct transaction cost except for costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognized immediately in the consolidated statement of income. After that, all financial assets is measured either at amortized cost or at fair value.

Financial Assets Classification

Financial assets at amortized cost

Debt instruments, including direct credit facilities, treasury bills and bonds, are measured at amortized cost only if:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are recorded at fair value upon purchase plus acquisition expenses (except debt instruments at fair value through profit and loss). Moreover, the issue premium \ discount is amortized using the effective interest rate method, and recorded to interest or in its account. Any allocations resulting from the decline in value of these investments leading to the inability to recover the investment or part thereof are recorded, and any impairment is registered in the consolidated statement of income.

In case the business model objective changed to contradict with amortized cost conditions, the Group should reclassify its financial instrument classified as amortized cost to be at fair value through profit or loss.

The Group might choose to classify debt instruments that meet the amortized cost criteria to designate such financial asset as FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at fair value through profit or loss (FVTPL)

Debt instruments that do not meet the amortized cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVTPL by the Group are measured at FVTPL.

In case the business model objectives changes and contractual cash flows meets the amortized cost criteria, the Group should reclassify the debt instrument held at FVTPL to amortized cost. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising on re-measurement recognized in the consolidated statement of income.

Dividend income on investments in equity instruments at FVTPL is recognized in the consolidated statement of income when the Group's right to receive the dividends is established (upon the general assembly resolution).

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to consolidated income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognized in the consolidated income statement when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

l. Fair value

The closing price of quoted financial assets and derivatives in active markets represents their fair value. When no quoted prices are available or when no active markets exist for the financial instrument, the fair value is estimated by one of the following methods:

- Comparing the financial instrument with the fair value of another financial instrument with similar terms and conditions;
- Discounting estimated future cash flows; or
- Using options pricing models.

The valuation methods aim at arriving at a fair value that reflects the expectations of market participants, expected risks and expected benefits. When the fair value cannot be measured reliably, financial assets are stated at cost / amortized cost.

The impairment in the financial assets measured at amortized cost is the difference between the book value and the present value of the future cash flows discounted at the original interest rate.

The carrying amount of the financial asset at amortized cost is reduced by the impairment loss through the impairment provision expense. Changes in the carrying amount of the impairment provision are recognized in the consolidated statement of income.

m. Financial derivatives

Financial derivatives (e.g. currency forward contracts, forward rate agreements, swaps and option contracts) are recognized at fair value in the consolidated statement of financial position.

1. Financial derivatives held for hedge purposes

Fair value hedge: Represents hedging for changes in the fair value of the Group's assets and liabilities. When the conditions for an effective fair value hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income. Changes in the fair value of the hedged assets or liabilities are also recognized in the consolidated statement of income.

Cash flow hedge: Represents hedging for changes in the current and expected cash flows of the Group's assets and liabilities that affects the consolidated statement of income. When the conditions for an effective cash flow hedge are met, gains or losses from changes in the fair value of financial derivatives are recognized in other comprehensive income and are reclassified to the statement of income in the period in which the hedge transaction has an impact on the consolidated statement of income.

When the conditions for an effective hedge are not met, gains or losses from changes in the fair value of financial derivatives are recognized in the consolidated statement of income.

The ineffective portion is recognized in the consolidated statement of income.

Hedge for net investment in foreign entities when the conditions of the hedge for net investment in foreign entities are met, fair value is measured for the hedging instrument of the hedged net assets. In case of an effective relationship, the effective portion of the loss or profit related to the hedging instrument is recognized in the consolidated statement of comprehensive income and recorded in the consolidated statement of income when the investment in foreign entities is sold. The ineffective portion is recognized in the consolidated statement of income.

When the conditions of the effective hedge do not apply, gain or loss resulting from the change in the fair value of the hedging instrument is recorded in the consolidated statement of income.

2. Financial derivatives for trading

Financial derivatives held for trading are recognized at fair value in the consolidated statement of financial position among "other assets" or "other liabilities" with changes in fair value recognized in the consolidated statement of income.

n. Foreclosed assets

Such assets are those that have been the subject of foreclosure by the Group, and are initially recognized among "other assets" at the foreclosure value or fair value whichever is least.

At the date of the consolidated financial statements, foreclosed assets are revalued individually (fair value less selling cost); any decline in fair value is recognized in the consolidated statement of income. Any subsequent increase in value is recognized only to the extent that it does not exceed the previously recognized impairment losses.

o. Provisions

Provisions are recognized when the Group has an obligation as of the date of the consolidated financial statements as a result of past events, the obligation is likely to be settled, and a reliable estimate can be made of the amount of the obligation.

Provision for employees' end-of-service indemnities is estimated in accordance with the prevailing rules and regulations in the countries in which the Group operates. The expense for the year is recognized in the consolidated statement of income. Indemnities paid to employees are reduced from the provision.

p. Segments Information: Segment business represents a group of assets and operations shared to produce products or risk attributable services different from which related to other segments.

Geographic sector linked to present the products or the services in a specific economic environment attributable for risk and other income different from which related to other sectors work in other economic environment.

q. Assets under Managements

These represent the accounts managed by the Bank on behalf of its customers, but do not represent part of the Bank's assets. The fees and commissions on managing these accounts are taken to the consolidated statement of income. Moreover, a provision is taken for the decline in the value of capital-guaranteed portfolios managed on behalf of its customers.

r. Offsetting

Financial assets and financial liabilities are offset, and the net amount is presented in the consolidated statement of financial position only when there is a legal right to offset the recognized amounts, and the Group intends to either settle them on a net basis or to realize the assets and settle the liabilities simultaneously

s. Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with central banks and balances with banks and financial institutions maturing within three months, less restricted funds and balances owing to banks and financial institutions maturing within three months.

5. Accounting Estimates

Preparation of the consolidated financial statements and the application of the accounting policies require the Group's management to perform assessments and assumptions that affect the amounts of financial assets, financial liabilities, fair value reserve and to disclose contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown in the consolidated statement of other comprehensive income and owners' equity. In particular, this requires the Group's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the said assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to the changes resulting from the conditions and circumstances of those assessments in the future.

Management believes that the assessments adopted in the consolidated financial statements are reasonable. The details are as follows:

- A provision for non-performing loans is taken on the bases and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs). The outcome of these bases and estimates is compared against the provisions that should be taken under the instructions of the regulatory authorities, through which the Bank branches and subsidiary companies operate. Moreover, the strictest outcome that conforms with the (IFRSs) is used.
- Impairment loss for foreclosed assets is booked after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors. The impairment loss is reviewed periodically.
- The fiscal year is charged with its portion of income tax expenditures in accordance with the regulations, laws, and accounting standards. Moreover, deferred tax assets and liabilities and the income tax provision are recorded.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.
- A provision is set for lawsuits raised against the Group. This provision is based to an adequate legal study prepared by the Group's legal advisor. Moreover, the study highlights potential risks that the Group may encounter in the future. Such legal assessments are reviewed periodically.
- Management frequently reviews financial assets stated at fair value or at cost to estimate any impairment in their value. The impairment amount is taken to the consolidated statement of income for the year.
- Fair value hierarchy
The level in the fair value hierarchy is determined and disclosed into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in IFRS. The difference between Level 2 and Level 3 fair value measurements represents whether inputs are observable and whether the unobservable inputs are significant, which may require judgment and a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

6. Cash and Balances with Central Banks

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Cash in vaults	455 445	442 651
Balances with central banks:		
- Current accounts	2 173 468	1 748 978
- Time and notice	4 392 724	3 328 069
- Mandatory cash reserve	1 835 107	1 681 736
- Certificates of deposit	615 637	190 540
Total	9 472 381	7 391 974

- Except for the mandatory cash reserve, there are no restricted balances at Central Banks.

- There are no balances and certificates of deposit maturing after three months as of December 31, 2015 (USD 103.4 million as of December 31, 2014).

7. Balances with Banks and Financial Institutions

The details of this item are as follows:

Local banks and financial institutions

	December 31,	
	2015	2014
	USD '000	USD '000
Current accounts	-	-
Time deposits maturing within 3 months	57 810	63 450
Total	57 810	63 450

Abroad banks and financial institutions

	December 31,	
	2015	2014
	USD '000	USD '000
Current accounts	1 452 094	1 738 318
Time deposits maturing within 3 months	1 482 499	2 862 310
Total	2 934 593	4 600 628
Total Balances with Banks and Financial Institutions Local and Abroad	2 992 403	4 664 078

- There are no non interest bearing balances as of December 31, 2015 and 2014.

- There are no restricted balances as of December 31, 2015 and 2014.

8. Deposits with Banks and Financial Institutions

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Deposit with banks and financial institutions abroad		
Time deposits maturing after 3 months and before 6 months	88 176	87 757
Time deposits maturing after 6 months and before 9 months	4 594	18 490
Time deposits maturing after 9 months and before a year	6 248	4 199
Time deposits maturing after one year	-	-
Total	99 018	110 446

- There are no restricted balances as of December 31, 2015 and 2014.

- There are no deposits with local banks as of December 31, 2015 and 2014.

9. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Treasury bills and Government bonds	423 445	638 921
Corporate bonds	331 131	413 312
Loans and advances	29 624	22 757
Corporate shares	19 918	20 566
Mutual funds	27 862	31 338
Total	831 980	1 126 894

10. Financial Assets at Fair Value through Other Comprehensive Income

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Quoted shares	256 776	241 820
Un-quoted shares	222 262	235 727
Total	479 038	477 547

* Cash dividends from investments above amounted to USD 5.4 million for the year ended December 31, 2015 (USD 8.6 million as of December 31, 2014).

* Realized gains transferred from investment revaluation reserve to retained earnings amounted to USD 31 thousand as of December 31, 2015 (Realized losses transferred from investment revaluation reserve to retained earnings amounted to USD (673) thousand as of December 31, 2014).

11. Direct Credit Facilities at Amortized Cost

The details of this item are as follows:

	December 31, 2015					
	Consumer Banking	Corporates Small and Medium	Corporates Large	Banks and Financial Institutions	Government and Public Sector	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	86 882	147 558	555 538	141 361	351	931 690
Overdrafts *	95 959	1 033 049	3 088 698	3 104	386 229	4 607 039
Loans and advances *	2 714 627	1 468 078	10 915 453	52 769	820 139	15 971 066
Real-estate loans	1 899 032	137 311	144 100	-	-	2 180 443
Credit cards	122 280	-	-	-	-	122 280
Total	4 918 780	2 785 996	14 703 789	197 234	1 206 719	23 812 518
Less: Interest and commission in suspense	69 626	91 491	253 632	4 499	-	419 248
Provision for impairment - direct credit facilities at amortized cost	171 143	134 135	902 901	1 353	2 751	1 212 283
Total	240 769	225 626	1 156 533	5 852	2 751	1 631 531
Net Direct Credit Facilities at Amortized Cost	4 678 011	2 560 370	13 547 256	191 382	1 203 968	22 180 987

* Net of interest and commission received in advance, which amounted to USD 105.8 million as of December 31, 2015.

- Rescheduled loans during the year ended December 31, 2015 amounted to USD 339.6 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended December 31, 2015 amounted to USD 39.7 million.
- Direct credit facilities granted to and guaranteed by the Government of Jordan as of December 31, 2015 amounted to USD 81.9 million, or 0.3% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2015 amounted to USD 1523.8 million, or 6.4 % of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of December 31, 2015 amounted to USD 1116.5 million, or 4.8 % of direct credit facilities, after deducting interest and commission in suspense.

	December 31, 2014						Total
	Consumer Banking	Small and Medium	Large	Banks and Financial Institutions	Government and Public Sector		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Discounted bills *	86 236	161 811	456 896	405 866	786	1 111 595	
Overdrafts *	108 636	965 941	3 267 565	4 062	354 266	4 700 470	
Loans and advances *	2 554 247	1 529 271	10 856 591	77 287	706 138	15 723 534	
Real-estate loans	1 755 989	244 694	26 883	-	-	2 027 566	
Credit cards	115 313	-	-	-	-	115 313	
Total	4 620 421	2 901 717	14 607 935	487 215	1 061 190	23 678 478	
Less: Interest and commission in suspense	60 515	93 016	237 177	3 739	-	394 447	
Provision for impairment - direct credit facilities at amortized cost	164 912	121 681	992 037	1 256	2 117	1 282 003	
Total	225 427	214 697	1 229 214	4 995	2 117	1 676 450	
Net Direct Credit Facilities at Amortized Cost	4 394 994	2 687 020	13 378 721	482 220	1 059 073	22 002 028	

* Net of interest and commission received in advance, which amounted to USD 103.6 million as of December 31, 2014.

- Rescheduled loans during the year ended December 31, 2014 amounted to USD 165.1 million.
- Restructured loans (transferred from non performing to watch list loans) during the year ended December 31, 2014 amounted to USD 31.1 million.
- Direct credit facilities granted to and guaranteed by the government of Jordan as of December 31, 2014 amounted to USD 105.5 million, or 0.4% of total direct credit facilities.
- Non-performing direct credit facilities as of December 31, 2014 amounted to USD 1592.5 million, or 6.7% of total direct credit facilities.
- Non-performing direct credit facilities net of interest and commission in suspense as of December 31, 2014 amounted to USD 1211 million, or 5.2% of direct credit facilities, after deducting interest and commission in suspense.

The details of movement on the provision for impairment of direct credit facilities at amortized cost are as follows:

	December 31, 2015						The total includes movement on the real - estate loans provision as follows:
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	164 912	121 681	992 037	1 256	2 117	1 282 003	17 810
Impairment losses charged to income	16 209	19 910	53 177	154	876	90 326	2 297
Used from provision (written off or transferred to off consolidated statement of financial position) *	(744)	(4 732)	(59 230)	-	-	(64 706)	(14)
Surplus in provision transferred to statement of income	(9 089)	(8 607)	(39 557)	(22)	(160)	(57 435)	(2 219)
Adjustments during the year	3 776	10 483	(8 275)	-	20	6 004	(939)
Translation adjustments	(3 921)	(4 600)	(35 251)	(35)	(102)	(43 909)	(88)
Balance at the End of the Year	171 143	134 135	902 901	1 353	2 751	1 212 283	16 847

	December 31, 2014						The total includes movement on the real - estate loans provision as follows:
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	
		Small and Medium	Large				
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	163 270	154 389	981 395	1 256	3 020	1 303 330	20 749
Impairment losses charged to income	14 024	11 587	77 355	87	138	103 191	3 857
Used from provision (written off or transferred to off consolidated statement of financial position) *	(3 476)	(16 203)	(16 721)	-	-	(36 400)	(581)
Surplus in provision transferred to statement of income	(9 961)	(12 507)	(43 805)	(3)	(754)	(67 030)	(7 883)
Adjustments during the year	5 573	(6 370)	20 648	-	(171)	19 680	1 701
Translation adjustments	(4 518)	(9 215)	(26 835)	(84)	(116)	(40 768)	(33)
Balance at the End of the Year	164 912	121 681	992 037	1 256	2 117	1 282 003	17 810

- There are no provisions no longer required as a result of settlement or repayment, transferred to non-performing direct credit facilities as of December 31, 2015 and 2014.

- Impairment is assessed based on individual customer accounts.

* The non-performing direct credit facilities transferred to off consolidated statement of financial position amounted to USD 2.1 million as of December 31, 2015. (USD 0.3 million as of December 31, 2014) noting that these non-performing direct credit facilities are fully covered by provisions and suspended interest.

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

December 31, 2015

	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
		USD '000	USD '000				
Balance at the beginning of the year	60 515	93 016	237 177	3 739	-	394 447	12 849
Interest and commission suspended during the year	13 226	10 725	53 589	760	-	80 300	2 975
Interest and commission in suspense settled (written off)	(1 302)	(9 514)	(21 992)	-	-	(32 808)	(2 399)
Recoveries	(3 907)	(3 137)	(5 219)	-	-	(12 263)	(1 805)
Adjustments during the year	1 755	1 242	(3 482)	-	-	(483)	(2 142)
Translation adjustments	(661)	(841)	(8 441)	-	-	(9 943)	(21)
Balance at the End of the Year	69 626	91 491	253 632	4 499	-	419 248	11 557

December 31, 2014

	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	Total	The total includes interest and commission in suspense movement on real - estates loans as follows:
		Small and Medium	Large				
		USD '000	USD '000				
Balance at the beginning of the year	57 773	96 314	192 890	2 962	-	349 939	15 325
Interest and commission suspended during the year	8 570	10 264	60 868	776	-	80 478	3 601
Interest and commission in suspense settled (written off)	(1 013)	(9 165)	(8 631)	-	-	(18 809)	(4 157)
Recoveries	(5 270)	(2 277)	(4 004)	-	-	(11 551)	(1 925)
Adjustments during the year	1 261	(354)	701	-	-	1 608	(7)
Translation adjustments	(806)	(1 766)	(4 647)	1	-	(7 218)	12
Balance at the End of the Year	58 515	93 016	237 177	3 739	-	394 447	12 849

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

	Inside Jordan	Outside Jordan	December 31, 2015	December 31, 2014
	USD '000	USD '000	USD '000	USD '000
Economic Sector				
Consumer Banking	2 145 483	2 532 328	4 678 011	4 394 994
Industry and mining	874 964	3 563 809	4 438 773	4 801 443
Constructions	239 105	1 622 378	1 861 483	1 605 182
Real - Estates	318 826	1 391 947	1 710 773	1 641 284
Trade	940 548	2 680 643	3 621 191	3 734 571
Agriculture	59 189	104 849	164 038	168 323
Tourism and Hotels	263 745	362 287	626 032	609 005
Transportations	186 751	565 485	752 236	787 606
Shares	1 579	65 467	67 046	87 729
General Services	407 814	2 458 240	2 866 054	2 630 598
Banks and Financial Institutions	16 848	174 534	191 382	482 220
Government and Public Sector	81 927	1 122 041	1 203 968	1 059 073
Net Direct Credit Facilities at Amortized Cost	5 836 779	16 644 208	22 180 987	23 002 028

12. Other financial assets at amortized cost

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Treasury bills	2 731 740	2 896 005
Government bonds and bonds guaranteed by the government	4 492 258	4 501 339
Corporate bonds	1 808 678	1 749 194
Less: Provision for impairment	(28 967)	(29 520)
Total	9 003 709	9 117 018

Analysis of bonds based on interest nature:

	December 31,	
	2015	2014
	USD '000	USD '000
Floating interest rate	602 196	551 811
Fixed interest rate	8 401 513	8 565 207
Total	9 003 709	9 117 018

Analysis of financial assets based on market quotation:

	December 31,	
	2015	2014
	USD '000	USD '000
Financial assets quoted in the market:		
Treasury bills	753 022	654 496
Government bonds and bonds guaranteed by the government	1 318 234	1 326 075
Corporate bonds	1 660 382	1 453 887
Total	3 731 638	3 434 458

Financial assets unquoted in the market:

	December 31,	
	2015	2014
	USD '000	USD '000
Treasury bills	1 978 718	2 241 509
Government bonds and bonds guaranteed by the government	3 174 024	3 175 264
Corporate bonds	119 329	265 787
Total	5 272 071	5 682 560
Grand Total	9 003 709	9 117 018

The details of movement on the provision for impairment of other financial assets at amortized cost are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	29 520	28 189
Impairment losses charged to income	-	6 422
Used from provision	-	(4 514)
Translation adjustments	(553)	(577)
Balance at the End of the Year	28 967	29 520

During the year ended December 31, 2015 certain financial assets at amortized cost in the amount to USD 268.7 million were sold due to near maturity dates (USD 376.3 million during the year ended December 31, 2014).

13. Investment in Associates

The details of this item are as follows:

	December 31, 2015		December 31, 2014		Place of Incorporation	Fair Value	Published Financial Statements Date	Principal Activity
	Ownership and Voting Right %	Investment Value USD '000	Ownership and Voting Right %	Investment Value USD '000				
Turkland Bank A.S.	50.00	182 173	50.00	244 067	Turkey	Unquoted	2015	Banking
Oman Arab Bank S.A.O.	49.00	287 562	49.00	270 487	Oman	Unquoted	2015	Banking
Arab National Bank	40.00	2 388 135	40.00	2 250 218	Saudi Arabia	2 512 000	2015	Banking
Arabia Insurance Company	38.23	35 952	37.42	40 879	Lebanon	Unquoted	2014	Insurance
Other	Various	22 468	Various	23 973	Various	Unquoted		Various
Total		2 916 290		2 829 624				

The details of movement on investments in associates are as follows:

	2015	2014
Balance at the beginning of the year	USD '000	USD '000
Purchase of investments in associates	2 829 624	2 618 191
Group's share of profits for the year	752	35 765
Dividends received	356 981	348 201
Translation Adjustment	(178 489)	(153 329)
Group's share of other changes in equity	(61 574)	(21 650)
Balance at the End of the Year	(31 004)	2 446
	2 916 290	2 829 624
Group's share of taxes	72 749	65 995

* The closing price of the Arab National Bank's share as of December 31, 2015 was Saudi Riyal 23.55 as quoted on Saudi Arabia Stock Exchange (Saudi Riyal 30.5 as of December 31, 2014). However, due to matters relating to the ownership concentrations of the Arab National Bank, the closing price of the share may not necessarily represent its fair value.

The Group's share from the profit and loss of the associates are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Turkland Bank A.S.	2 599	6 956
Oman Arab Bank S.A.O.	36 832	35 748
Arab National Bank	316 204	306 669
Arabia Insurance Company	(52)	(2 795)
Other	1 378	1 623
Total	356 981	348 201

The Group's share from assets, liabilities and revenues of associates are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Total Assets	21 853 639	21 128 648
Total Liabilities	18 905 654	18 377 074
Total Revenue	779 067	730 485

14. Fixed Assets

The details of this item are as follows:

	Land	Buildings	Furniture, Fixtures and Equipment	Computers and Communication Equipment	Motor Vehicles	Leasehold Improvements	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Historical Cost:							
Balance as of January 1, 2014	82 938	383 429	193 998	121 239	14 488	105 363	901 455
Additions	-	17 524	11 982	14 731	2 092	15 367	61 696
Disposals	(134)	(7 494)	(5 311)	(2 588)	(1 503)	(11 730)	(28 760)
Adjustments during the year	-	-	(5 188)	5 188	-	-	-
Translation Adjustments	(2 215)	(16 493)	(2 797)	(5 313)	(680)	(6 405)	(33 903)
Balance as of December 31, 2014	80 589	376 966	192 684	133 257	14 397	102 595	900 488
Additions	30	18 999	19 670	20 890	1 138	15 857	76 584
Disposals	(419)	(13 057)	(4 511)	(5 601)	(591)	(14 719)	(38 898)
Adjustments during the year	-	(1 180)	2 082	8 435	-	(9 387)	(50)
Translation Adjustments	(2 219)	(9 694)	(2 667)	(4 370)	(496)	(4 262)	(23 708)
Balance at December 31, 2015	77 981	372 034	207 258	152 611	14 448	90 084	914 416
Accumulated Depreciation :							
Balance as of January 1, 2014	-	108 864	133 277	96 265	10 818	52 638	401 862
Depreciation charge for the year	-	12 041	16 717	12 000	1 437	14 417	56 612
Disposals	-	(1 391)	(5 023)	(2 382)	(1 208)	(7 816)	(17 820)
Adjustments during the year	-	725	(4 008)	3 389	-	-	106
Translation adjustments	-	(3 479)	(1 973)	(4 240)	(458)	(3 363)	(13 513)
Balance as of December 31, 2014	-	116 760	138 990	105 032	10 589	55 876	427 247
Depreciation charge for the year	-	12 499	16 126	13 969	1 496	10 756	54 846
Disposals	-	(1 114)	(2 333)	(4 465)	(501)	(9 832)	(18 245)
Adjustments during the year	-	(562)	1 304	6 649	3	(7 328)	66
Translation adjustments	-	(2 501)	(1 931)	(3 471)	(266)	(2 464)	(10 633)
Balance at December 31, 2015	-	125 082	152 156	117 714	11 321	47 008	453 281
Net Book Value as of December 31, 2015	77 981	246 952	55 102	34 897	3 127	43 076	461 135
Net Book Value as of December 31, 2014	80 589	260 206	53 694	28 225	3 808	46 719	473 241

* The cost of fully depreciated fixed assets amounted to USD 212.4 million as of December 31, 2015 (USD 181.9 million as of December 31, 2014).

15. Other Assets

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Accrued interest receivable	187 227	206 380
Prepaid expenses	122 408	127 751
Foreclosed assets *	58 518	80 387
Items in transit	24 611	2 144
Intangible assets **	16 055	14 478
Other miscellaneous assets	81 969	73 412
Total	490 788	504 552

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

** The details of movement on foreclosed assets are as follows:

	2015			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	38 699	33 808	7 880	80 387
Additions	2 715	5 421	-	8 136
Disposals	(26 631)	(932)	(24)	(27 587)
Provision for impairment	(279)	(1 548)	-	(1 827)
Impairment losses charged to income	(274)	(147)	(169)	(590)
Impairment loss - returned to profit	-	141	-	141
Translation adjustments	-	(142)	-	(142)
Balance at the End of the Year	14 230	36 601	7 687	58 518

	2014			
	Land	Buildings	Other	Total
	USD '000	USD '000	USD '000	USD '000
Balance at the beginning of the year	36 515	33 014	19 471	89 000
Additions	2 692	4 545	663	7 900
Disposals	(509)	(3 349)	(12 254)	(16 112)
Impairment losses charged to income	(35)	(226)	-	(261)
Impairment loss - returned to profit	35	68	-	103
Translation adjustments	1	(244)	-	(243)
Balance at the End of the Year	38 699	33 808	7 880	80 387

** The details of movement on intangible assets are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	14 478	14 262
Additions	9 635	9 376
Disposals	(52)	(354)
Amortization charge for the year	(7 321)	(7 866)
Adjustment during the year and translation adjustments	(685)	(940)
Balance at the End of the Year	16 055	14 478

16. Deferred Tax Assets

The details of this item are as follows :

Items attributable to deferred tax assets are as follows:

	2015					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Provision for impairment - direct credit facilities at amortized cost	94 846	17 865	(19 716)	(10 629)	82 366	20 778
End-of-Service indemnity	59 057	6 910	(7 669)	(29)	58 269	17 591
Interest in suspense	10 610	6 385	(4 486)	-	12 509	2 780
Other	55 191	29 844	(1 910)	(12 948)	70 177	17 480
Total	219 704	61 004	(33 781)	(23 606)	223 321	58 629

	2014					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments During the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Provision for impairment - direct credit facilities at amortized cost	102 803	14 623	(10 271)	(12 309)	94 846	24 328
End-of-Service indemnity	56 323	4 607	(1 869)	(4)	59 057	19 123
Interest in suspense	12 284	4 963	(7 414)	777	10 610	2 565
Other	41 455	9 308	(1 179)	5 607	55 191	12 916
Total	212 865	33 501	(20 733)	(5 929)	219 704	58 932

* Deferred tax results from temporary timing differences of the provisions not deducted for tax purposes in the current year or previous years. This is calculated according to the regulations of the countries where the Group operates. The Group will benefit from these amounts in the near future.

The details of movements on deferred tax assets are as follows:

	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	58 932	55 573
Additions during the year	16 148	10 183
Amortized during the year	(11 620)	(5 161)
Adjustments during the year and translation adjustments	(4 831)	(1 663)
Balance at the End of the Year	58 629	58 932

17. Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2015			December 31, 2014		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
Current and demand	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Time deposits	-	323 208	323 208	21 180	371 591	392 771
Total	9 997	3 303 529	3 313 526	19 994	3 668 348	3 688 342
	9 997	3 626 737	3 636 734	41 174	4 039 939	4 081 113

18. Customer Deposits

The details of this item are as follows:

	December 31, 2015				
	Consumer Banking	Corporates Small and Medium	Large	Government and Public Sector	Total
Current and demand	USD '000	USD '000	USD '000	USD '000	USD '000
Savings	7 229 262	2 334 822	2 363 187	429 173	12 356 444
Time and notice	2 859 535	159 172	46 224	131	3 065 062
Certificates of deposit	8 097 330	1 097 434	5 018 935	2 587 298	16 800 997
Total	408 399	15 139	61 454	91 733	576 725
	18 594 526	3 606 567	7 489 800	3 108 335	32 799 228

- Government of Jordan and Jordanian public sector deposits amounted to USD 719.5 million, or 2.2 % of total customer deposits as of December 31, 2015 (USD 984.6 million, or 3.1% of total customer deposits as of December 31, 2014).

- Non-interest bearing deposits amounted to USD 11016.5 million, or 33.6 % of total customer deposits as of December 31, 2015 (USD 10526.8 million or 32.8% of total customer deposits as of December 31, 2014).

- Blocked deposits amounted to USD 153.2 million, or 0.5 % of total customer deposits as of December 31, 2015 (USD 103.7 million, or 0.3% of total customer deposit as of December 31, 2014).

- Dormant deposits amounted to USD 440.2 million, or 1.3 % of total customer deposits as of December 31, 2015 (USD 431.9 million, or 1.3% of total customer deposits as of December 31, 2014).

December 31, 2014

	Corporates			Government and Public Sector	Total
	Consumer Banking	Small and Medium	Large		
	USD '000	USD '000	USD '000	USD '000	USD '000
Current and demand	6 786 145	1 978 110	2 485 664	441 233	11 691 152
Savings	2 719 876	119 378	68 459	80	2 907 793
Time and notice	8 064 091	928 099	5 024 633	2 851 925	16 868 748
Certificates of deposit	432 908	14 460	86 115	64 095	597 578
Total	18 003 020	3 040 047	7 664 871	3 357 333	32 065 271

19. Cash Margin

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Against direct credit facilities at amortized cost	1 877 034	2 348 527
Against indirect credit facilities	553 475	546 327
Against margin trading	9 327	5 623
Other cash margins	3 254	3 081
Total	2 443 090	2 903 558

20. Borrowed Funds

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
From Central Banks *	11 285	7 614
From banks and financial institutions **	64 460	79 477
Total	75 745	87 091

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

	December 31,	
	2015	2014
	USD '000	USD '000
Floating interest rate	70 099	85 117
Fixed interest rate	5 646	1 974
Total	75 745	87 091

* During 2013, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 5.6 million, for the duration of 15 years of which 5 years are grace period and with an interest rate of (2.5%) for the year 2013 and a floating interest rate of (1.8%+LIBOR 6 months) for the years after 2013. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan as of December 31, 2015 amounted to USD 5.6 million (USD 5.6 million as of December 31, 2014).

* During 2014, Arab Bank (Jordan branches) signed a loan agreement with the Central Bank of Jordan amounting to USD 3.9 million, for the duration of 10 years with a fixed interest rate of 2.5%. The agreement aims to support SMEs and Extra Small Companies. The loan is repaid semi-annually, with installments in March and September of each year. The Balance of the loan of December 31, 2015 amounted to USD 3.9 million (USD 2 Million as of December 31, 2014).

* During 2015, Arab Bank (Jordan branches) granted loans against medium term advances from the Central Bank of Jordan in the amount of USD 1.7 million with fixed interest rate equal to the discount rate disclosed on the grant day after deducting 2%. The advances is repaid in accordance with the customers monthly installments which starts on March 2016 and ends on January 2018.

** The Group borrowed amounts from banks and financial institutions, as well issued syndicated term loans through the Arab Tunisian Bank, the balance amounted to approximately USD 64.5 million as of December 31, 2015 (USD 79.5 million as of December 31, 2014), whereas the lowest interest rate is (0.25%) and the highest is (6.7%) and the last maturity date is on May 19, 2032, as per the following details :

	December 31,	
	2015	2014
	USD '000	USD '000
Loans maturing within one year	10 009	10 374
Loans maturing after 1 year and less than 3 years	17 078	20 060
Loans maturing after 3 years	37 373	49 043
Total	64 460	79 477

21. Provision for Income Tax

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	235 248	196 895
Income tax expense	279 841	269 489
Income tax paid	(279 171)	(231 136)
Balance at the End of the Year	235 918	235 248

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

	December 31,	
	2015	2014
	USD '000	USD '000
Income tax expense for the year	279 841	269 489
Deferred tax assets for the year	(16 012)	(10 183)
Amortization of deferred tax assets	11 584	5 161
Deferred tax liabilities for the year	2 285	-
Amortization of deferred tax liabilities	(493)	(301)
Total	277 205	264 166

-The banking sector income tax rate in Jordan is 35%, while the income tax rate in the countries where the Group has branches and subsidiaries is ranging between 0 to 37% as of December 31, 2015 and 2014.

- The branches of Arab bank Group have reached a recent tax settlements ranging between 2006 for Arab Bank Egypt and 2014 for Arab Bank United Arab Emirates and Arab Sudanese Bank

22. Other Provisions

The details of this item are as follows:

	2015					
	Balance at the Beginning of the Year	Additions during the Year	Utilized or transferred during the Year	Returned to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	114 354	12 485	(12 294)	(276)	718	114 987
Legal cases	5 767	3 507	(924)	(584)	116	7 882
Other	24 082	1 544	(1 757)	(466)	(1 037)	22 366
Total	144 203	17 536	(14 975)	(1 326)	(203)	145 235

	2014					
	Balance at the Beginning of the Year	Addition during the Year	Utilized or transferred during the Year	Returned to Income	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
End-of-service indemnity	109 805	10 691	(5 991)	(94)	(57)	114 354
Legal cases	6 086	806	(197)	(91)	(837)	5 767
Other	23 131	4 956	(2 254)	(223)	(1 528)	24 082
Total	139 022	16 453	(8 442)	(408)	(2 422)	144 203

23. Other Liabilities

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Accrued interest payable	133 561	140 952
Notes payable	171 873	134 685
Interest and commission received in advance	101 387	115 712
Accrued expenses	78 277	80 145
Other miscellaneous liabilities *	1 142 156	861 466
Total	1 627 254	1 332 960

* This items represents in most legal expected costs (Note 57)

24. Deferred Tax Liabilities

Items attributable to deferred tax liabilities are as follows:

	2015					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Investment revaluation reserve	31 422	-	(4 322)	(2 318)	24 782	8 604
Other	7 227	6 681	(1 986)	-	11 922	3 499
Total	38 649	6 681	(6 308)	(2 318)	36 704	12 103

	2014					
	Balance at the Beginning of the Year	Amounts Added	Amounts Released	Adjustments during the Year and Translation Adjustments	Balance at the End of the Year	Deferred Tax
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Investment revaluation reserve	22 157	9 567	-	(302)	31 422	10 217
Other	10 167	-	(2 632)	(308)	7 227	1 707
Total	32 324	9 567	(2 632)	(610)	38 649	11 924

The details of movements on deferred tax liabilities are as follows:

	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	11 924	8 052
Additions during the year	2 285	4 252
Amortized during the year	(2 006)	(301)
Adjustments during the year and translation adjustments	(100)	(79)
Balance at the End of the Year	12 103	11 924

25. Share Capital

a. Arab Bank Plc General Assembly in its extraordinary meeting held on March 26, 2015 approved to increase the Group capital by USD 100.4 million, to become USD 926.6 million distributed to 640.8 million shares as of December 31, 2015. The legal procedures have been completed with the Ministry of Industry and Trade on April 5, 2015 and with Jordan Securities Commission on April 21, 2015. (Arab Bank Plc General Assembly in its extraordinary meeting held on March 27, 2014 approved to increase the Group capital by USD 50.2 million, to become USD 826.2 million distributed to 569.6 million shares as of December 31, 2014. The legal procedures have been completed with the Ministry of Industry and Trade on April 1, 2014 and with Jordan Securities Commission on April 8, 2014).

b. Share premium amounted to USD 1225.7 million as of December 31, 2015 and 2014.

26. Statutory Reserve

Statutory reserve amounted to USD 753.1 million as of December 31, 2015 (USD 712.7 million as of December 31, 2014) according to the regulations of the Central Bank of Jordan and Companies Law and it can not be distributed to the shareholders of the banks.

27. Voluntary Reserve

The voluntary reserve amounted to USD 977.3 million as of December 31, 2015 and 2014. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

28. General Reserve

The general reserve amounted to USD 1141.8 million as of December 31, 2015 and 2014. This reserve is used for purposes determined by the Board of Directors, and the General Assembly has the right to distribute it in whole or part thereof to shareholders as dividends.

29. General Banking Risks Reserve

The general banking risk reserve amounted to USD 363.5 million as of December 31, 2015 and 2014. It is available for use in accordance with certain procedures, including the approval of the Central Bank of Jordan, only when the amount of that reserve exceeds the minimum amount set or required according to the instructions of the relevant banking authorities.

30. Foreign currency translation reserve

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	(122 751)	61 715
Addition (disposal) during the year transferred to other comprehensive income	(161 858)	(184 466)
Balance at the end of the year	(284 609)	(122 751)

31. Investment Revaluation Reserve

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	(219 278)	(228 393)
Change in fair value during the year	(41 312)	8 442
Net realized loss transferred to retained earnings	(31)	673
Balance at the End of the Year	(260 621)	(219 278)

* Investment revaluation reserve is stated net of deferred tax liabilities in the amount of USD 8.6 million as of December 31, 2015 (USD 10.2 million as of December 31, 2014).

32. Retained Earnings and Non-controlling Interests

The movement of retained earnings are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Balance at the beginning of the year	1 315 525	437 933
Profit for the year Attributable to Shareholders of the Bank	430 830	573 687
General reserve transferred to retained earnings	-	681 000
Investments revaluation reserve transferred to retained earnings	31	(673)
Dividends paid *	(101 772)	(231 894)
Transferred to statutory reserve	(40 343)	(68 862)
Adjustments during the year	(1 012)	(25 470)
Increase in Capital (Stock Dividends)	(100 392)	(50 196)
Balance at the End of the Year **	1 502 967	1 315 525

* Arab Bank plc Board of Directors recommended a 25% of par value as cash dividend, equivalent to USD 225.9 million, for the year 2015. This proposal is subject to the approval of the General Assembly of shareholders. (The General assembly of Arab Bank Plc in its meeting held on March 26, 2015 approved the recommendations of the board of directors to distribute 12% of par value as a cash dividends equivalent to USD 96.4 million and two bonus shares for every sixteen shares amounting 71.2 million shares for the year 2014).

** Retained earnings include restricted deferred tax assets in the amount of USD 58.6 million, as well as unrealized gains from financial assets at fair value through profit or loss in the amount of USD 8.7 million. Restricted retained earnings that cannot be distributed or otherwise utilized except only under certain circumstances, as a result of the adoption of certain International Accounting Standards, amounted to USD 2.5 million as of December 31, 2015.

** Retained earnings include an unrealized loss in the amount of USD (109.1) million due to the effect of the adoption of IFRS 9 as of December 31, 2015.

** The Use of an amount of USD (260.6) million as of December 31, 2015 which represent the negative investments revaluation reserve balance is restricted according to Jordan Securities Commission instructions.

The details of non-controlling interests are as follows:

	2015			2014		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits	Non-controlling interests %	Share of non-controlling interests of net assets	Share of non-controlling interests of net profits
Arab Tunisian Bank	35.76	96 494	12 543	35.76	95 354	9 699
Arab Bank Syria	48.71	17 992	(2 885)	48.71	16 997	(7 473)
Al Nisar Al Arabi Insurance Company plc	50.00	14 538	1 635	50.00	14 709	1 240
Total		129 024	11 293		127 060	3 466

33. Interest Income

The details of this item are as follows:

	2015	2014
	USD '000	USD '000
Direct credit facilities at amortized cost *	1 185 767	1 151 577
Central banks	72 405	86 492
Banks and financial institutions	3 545	15 881
Financial assets at fair value through profit or loss	32 062	33 615
Other financial assets at amortized cost	522 116	557 531
Total	1 815 895	1 845 096

* The details of interest income earned on direct credit facilities at amortized cost are as follows:

	2015					
	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	6 438	16 968	24 077	3 348	10	50 841
Overdrafts	8 195	58 372	187 647	258	16 103	270 575
Loans and advances	203 096	74 720	413 754	3 129	33 014	727 713
Real estate loans	109 191	5 888	5 050	-	-	120 129
Credit cards	16 509	-	-	-	-	16 509
Total	343 429	155 948	630 528	6 735	49 127	1 185 767

	2014					
	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	9 484	16 855	18 537	3 583	110	48 569
Overdrafts	12 798	53 742	189 989	624	19 338	276 491
Loans and advances	182 479	76 504	401 158	5 670	31 099	696 910
Real estate loans	104 288	6 546	2 266	-	-	113 100
Credit cards	16 507	-	-	-	-	16 507
Total	325 556	153 647	611 950	9 877	50 547	1 151 577

34. Interest Expense

The details of this item are as follows:

	2015	2014
	USD '000	USD '000
Customer deposits *	621 703	654 401
Banks' and financial institutions' deposits	39 664	35 206
Cash margins	35 550	53 182
Borrowed funds	3 096	3 721
Deposit insurance fees	24 744	23 638
Total	724 757	770 148

* The details of interest expense paid on customer deposits are as follows:

	2015				
	Consumer Banking	Corporates		Government and Public Sector	Total
	USD '000	Small and Medium	Large	USD '000	USD '000
Current and demand	11 617	5 443	12 503	5 001	34 564
Savings	35 092	2 877	649	-	38 618
Time and notice	265 248	29 197	127 427	74 948	496 820
Certificates of deposit	40 384	1 243	4 197	5 877	51 701
Total	352 341	38 760	144 776	85 826	621 703

	2014				
	Consumer Banking	Corporates		Government and Public Sector	Total
	USD '000	Small and Medium	Large	USD '000	USD '000
Current and demand	11 594	4 772	9 309	5 206	30 881
Savings	38 972	2 853	449	-	42 274
Time and notice	278 211	37 773	128 424	71 222	515 630
Certificates of deposit	46 557	826	6 986	11 247	65 616
Total	375 334	46 224	145 168	87 675	654 401

35. Net Commission Income

The details of this item are as follows:

	<u>2015</u>	<u>2014</u>
	USD '000	USD '000
Commission income:		
- Direct credit facilities at amortized cost	97 153	90 905
- Indirect credit facilities	148 177	155 538
- Assets under management	12 792	15 082
- Other	89 748	87 403
Less: commission expense	<u>(28 267)</u>	<u>(27 335)</u>
Net Commission Income	<u>319 603</u>	<u>321 593</u>

36. Gains from Financial Assets at Fair Value Through Profit or Loss

The details of this item are as follows:

	<u>2015</u>			
	<u>Realized Gains</u>	<u>Unrealized Gains (Losses)</u>	<u>Dividends</u>	<u>Total</u>
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	4 155	8 318	-	12 473
Companies shares	-	(645)	1 427	782
Mutual funds	-	1 060	-	1 060
Total	<u>4 155</u>	<u>8 733</u>	<u>1 427</u>	<u>14 315</u>

	<u>2014</u>			
	<u>Realized Gains</u>	<u>Unrealized Gains (Losses)</u>	<u>Dividends</u>	<u>Total</u>
	USD '000	USD '000	USD '000	USD '000
Treasury bills and bonds	1 839	581	-	2 420
Companies shares	23	3 058	1 568	4 649
Mutual funds	-	(23)	-	(23)
Total	<u>1 862</u>	<u>3 616</u>	<u>1 568</u>	<u>7 046</u>

37. Other Revenue

The details of this item are as follows:

	<u>2015</u>	<u>2014</u>
	USD '000	USD '000
Revenue from customer services	17 241	19 856
Safe box rent	1 634	1 596
Gains from derivatives	133	1 494
Miscellaneous revenue	<u>31 058</u>	<u>38 179</u>
Total	<u>50 066</u>	<u>61 125</u>

38. Employees' Expenses

The details of this item are as follows:

	2015	2014
	USD '000	USD '000
Salaries and benefits	311 173	304 485
Social security	30 879	30 653
Savings fund	4 731	4 663
Indemnity compensation	7 449	8 297
Medical	11 753	11 547
Training	3 144	2 866
Allowances	58 075	57 805
Other	13 448	14 438
Total	440 652	434 754

39. Other Expenses

The details of this item are as follows:

	2015	2014
	USD '000	USD '000
Occupancy	74 570	72 989
Office	62 992	66 463
Services	55 340	59 343
Fees	12 305	9 875
Information technology	38 458	32 781
Other administrative expenses	51 768	44 545
Total	295 433	285 996

40. Financial Derivatives

The details of this item are as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
Forward contracts	267 101	284 971
Interest rate swaps	2 534 323	1 813 701
Foreign currency forward contracts	5 120 808	5 661 310
Total	7 922 232	7 759 982

The details of financial derivatives are as follows:

	December 31, 2015		Notional Amounts by Maturity				
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	1 830	1 789	267 101	221 979	39 580	5 542	-
Interest rate swaps	26 128	29 666	1 066 249	59 957	376 144	470 355	159 793
Foreign currency forward contracts	23 547	8 022	4 492 255	3 956 994	535 261	-	-
Derivatives held for trading	51 505	39 477	5 825 605	4 238 930	950 985	475 897	159 793
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	6 730	11 685	1 428 505	60 886	494 799	614 708	258 112
Foreign currency forward contracts	-	-	109 687	103 335	6 352	-	-
Derivatives held for fair value hedge	6 730	11 685	1 538 192	164 221	501 151	614 708	258 112
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	2 543	39 569	-	10 953	7 302	21 314
Foreign currency forward contracts	-	-	518 866	505 513	13 353	-	-
Derivatives held for cash flow hedge	-	2 543	558 435	505 513	24 306	7 302	21 314
Total	58 235	53 705	7 922 232	4 908 664	1 476 442	1 097 907	439 219

The details of financial derivatives are as follows:

	December 31, 2014						
	Positive Fair Value	Negative Fair Value	Total Notional Amount	Notional Amounts by Maturity			
				Within 3 Months	From 3 months to 1 Years	From 1 Year to 3 Years	More than 3 Years
USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Forward contracts	4 266	3 711	284 971	131 469	81 078	66 335	6 089
Interest rate swaps	19 211	24 534	1 084 234	112 004	154 858	177 955	639 417
Foreign currency forward contracts	26 941	16 606	4 838 323	2 666 356	2 167 864	4 103	-
Derivatives held for trading	50 418	44 851	6 207 528	2 909 829	2 403 800	248 393	645 506
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	5 846	14 625	649 136	37 376	54 548	471 748	85 464
Foreign currency forward contracts	-	-	135 853	5 763	130 090	-	-
Derivatives held for fair value hedge	5 846	14 625	784 989	43 139	184 638	471 748	85 464
Forward contracts	-	-	-	-	-	-	-
Interest rate swaps	-	3 013	80 331	-	12 286	12 286	55 759
Foreign currency forward contracts	-	-	687 134	687 134	-	-	-
Derivatives held for cash flow hedge	-	3 013	767 465	687 134	12 286	12 286	55 759
Total	56 264	62 489	7 759 982	3 640 102	2 600 724	732 427	786 729

The notional amount represents the value of the transactions at year-end and does not refer to market or credit risks.

41. Concentration of Assets and Revenues and Capital Expenditures According to the Geographical Distribution

The Group undertakes its banking activities through its branches in Jordan and abroad. The following are the details of the distribution of assets, revenues and capital expenditures inside and outside Jordan:

	Inside Jordan		Outside Jordan		Total	
	2015	2014	2015	2014	2015	2014
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Revenues	474 129	486 588	1 434 231	1 390 721	1 908 360	1 877 309
Assets	12 977 319	12 392 008	36 067 274	36 420 590	49 044 593	48 812 598
Capital Expenditures	22 428	19 904	54 156	41 792	76 584	61 696

42. 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.

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 the following: corporate sector, private projects, foreign trading, small and medium sized projects, and banks and financial institutions.

2. Treasury Group

This group is considered 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 business unit, in addition to being a central unit for the financial organization and main dealing in the following:

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

3. Consumer Banking

This group provides banking services to individuals and high-networth Elite customers, and endeavors to meet their financial services 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, the internet, and text messaging via cellular phones.

Information about the Group's Business Segments

	2015					Total
	Corporate and Institutional Banking	Treasury	Consumer Banking		Other	
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	803 558	624 347	(103 813)	189 406	394 862	1 908 360
Net inter-segment interest income	(13 604)	(385 208)	218 527	180 285	-	-
Provision for impairment - direct credit facilities at amortized cost	26 605	-	(881)	7 167	-	32 891
Other provisions	7 057	2 185	1 032	5 936	-	16 210
Direct administrative expenses	140 698	19 446	23 680	155 957	7 368	347 149
Result of operations of segments	615 594	217 508	90 883	200 631	387 494	1 512 110
Indirect expenses on segments	198 918	56 042	40 169	145 930	2 723	443 782
Legal Expenses	-	-	-	-	349 000	349 000
Profit for the year before income tax	416 676	161 466	50 714	54 701	35 771	719 328
Income tax expense	77 059	48 886	18 485	18 573	114 202	277 205
Profit (Loss) for the Year	339 617	112 580	32 229	36 128	(78 431)	442 123
Depreciation and amortization	16 135	4 418	2 304	31 989	-	54 846
Other Information						
Segment assets	18 090 366	20 756 491	2 116 580	4 005 750	1 159 116	46 128 303
Inter-segment assets	-	-	9 899 888	4 049 621	5 677 642	-
Investment in associates	-	-	-	-	2 916 290	2 916 290
TOTAL ASSETS	18 090 366	20 756 491	12 016 468	8 055 371	9 753 048	49 044 593
Segment liabilities	16 883 273	2 336 433	12 016 468	8 055 371	1 737 467	41 029 012
Owners equity	-	-	-	-	8 015 581	8 015 581
Inter-segment liabilities	1 207 093	18 420 058	-	-	-	-
TOTAL LIABILITIES AND OWNERS' EQUITY	18 090 366	20 756 491	12 016 468	8 055 371	9 753 048	49 044 593

Information about the Group's Business Segments

	2014					Total
	Corporate and institutional Banking	Treasury	Consumer Banking		Other	
			Elite	Retail Banking		
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Total income	762 546	681 725	(123 735)	166 167	390 606	1 877 309
Net inter-segment interest income	(19 093)	(384 616)	224 864	178 845	-	-
Provision for impairment - direct credit facilities at amortized cost	28 993	-	261	6 907	-	36 161
Other provisions	12 790	2 601	1 377	5 699	-	22 467
Direct administrative expenses	122 179	18 911	27 581	149 862	4 857	323 390
Result of operations of segments	579 491	275 597	71 910	182 544	385 749	1 495 291
Indirect expenses on segments	201 622	66 468	40 519	143 642	1 721	453 972
Legal Expenses	-	-	-	-	200 000	200 000
Profit for the year before income tax	377 869	209 129	31 391	38 902	184 028	841 319
Income tax expense	60 784	59 668	14 327	12 741	116 646	264 166
Profit for the Year	317 085	149 461	17 064	26 161	67 382	577 153
Depreciation and amortization	18 953	5 571	2 474	29 614	-	56 612
Other information						
Segment assets	18 687 280	20 585 442	1 738 113	3 809 406	1 162 733	45 982 974
Inter-segment assets	-	-	9 684 091	4 276 342	5 327 909	-
Investment in associates	-	-	-	-	2 829 624	2 829 624
TOTAL ASSETS	18 687 280	20 585 442	11 422 204	8 085 748	9 320 266	48 812 598
Segment liabilities	17 104 923	2 879 457	11 422 204	8 085 748	1 431 525	40 923 857
Owners equity	-	-	-	-	7 888 741	7 888 741
Inter-segment liabilities	1 582 357	17 705 985	-	-	-	-
TOTAL LIABILITIES AND OWNERS' EQUITY	18 687 280	20 585 442	11 422 204	8 085 748	9 320 266	48 812 598

43. Banking Risk Management

Arab Bank Group addresses the challenges of banking risks comprehensively through an Enterprise-Wide Risk Management Framework. This framework is built in line with leading practices, and is supported by a risk governance structure consisting of risk-related Board Committees, Executive Management Committees, and three independent levels of control.

As part of the risk governance structure of the Bank, and as the second level of control, Group Risk Management is responsible for ensuring that the Bank has a robust system for the identification and management of risk. Its mandate is to:

- Establish risk management frameworks, policies and procedures for all types of risks and monitor their implementation
- Develop appropriate risk measurement tools and models
- Assess risk positions against established limits
- Monitor and report to Senior Management and the Board on a timely basis
- Advise and promote risk awareness based on leading practices

a. Credit Risk Management

Arab Bank maintains a low risk strategy towards the activities it takes on. This combined with its dynamic and proactive approach in managing credit risk are key elements in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The conservative, prudent and well-established credit standards, policies and procedures, risk methodologies and frameworks, solid structure and infrastructure, risk monitoring and control enable the Bank to deal with the emerging risks and challenges with a high level of confidence and determination. Portfolio management decisions are based on the Bank's business strategy and risk appetite as reflected in the tolerance limits. Diversification is the cornerstone for mitigating portfolio risks which is achieved through industry, geographical and customer tolerance limits.

b. Geographic Concentration Risk

The Bank reduces the geographic concentration risk through distributing its operations over various sectors and various geographic locations inside and outside the Kingdom.

Note (44-e) shows the details of the geographical distribution of assets.

c. Liquidity Risk

Liquidity is defined by the Bank for International Settlements as the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. Arab Bank has built a robust infrastructure of policies, processes and people, in order to ensure that all obligations are met in a timely manner, under all circumstances and without undue cost. The Bank uses a variety of tools to measure liquidity risk in the balance sheet. These metrics help the Bank to plan and manage its funding and help to identify any mismatches in assets and liabilities which may expose the Bank to roll risk.

Note (47) and (50) shows the maturities of the assets and liabilities of the Bank.

d. Market Risk

Market risk is defined as the potential for loss from changes in the value of the Group's portfolios due to movements in interest rates, foreign exchange rates, and equity or commodity prices. The three main activities that expose the Group to market risk are: Money Markets, Foreign Exchange and Capital Markets, across the Trading and Banking books.

Note (45) shows the details of market risk sensitivity analysis.

1. Interest Rate Risk:

Interest rate risk in the Group is limited, well managed, and continuously supervised. A large proportion of the interest rate exposure is concentrated in the short end of the yield curve, with durations of up to one year. Exposures of more than one year are particularly limited. Interest rate risk is managed in accordance with the policies and limits established by the High ALCO.

Note (46) shows the details of the interest rate risk sensitivity of the Group.

2. Capital Market Exposures:

Investments in capital markets instruments are subject to market risk stemming from changes in their prices. Arab Bank Group's exposure to this kind of risk is limited due to its strong control over credit and interest rate risk. The equities investment portfolio represents a very small percent of the Bank's overall investments.

3. Foreign Exchange Risk

Foreign exchange activity arises principally from customers' transactions. Strict foreign exchange risk limits are set to define exposure and sensitivity tolerance for trading in foreign exchange. The Bank hedges itself appropriately against potential currency fluctuations in order to minimize foreign exchange exposure.

Note (48) shows the net positions of foreign currencies.

e. Operational Risk

Operational risk is defined as the loss incurred by the Bank due to disorder in work policies or procedures, personnel, automated systems, technological infrastructure, in addition to external accidents. Such risk is managed through a comprehensive framework, as part of the overall strengthening and continuous improvement of the controls within the Group.

44. Credit Risk

A. Gross exposure to credit risk (net of impairment provisions and interest in suspense and prior to collaterals and other risk mitigations):

	December 31,	
	2015	2014
	USD '000	USD '000
Credit risk exposures relating to items on the consolidated statement of financial position:		
Balances with central banks	9 016 936	6 949 323
Balances with banks and financial institutions	2 992 403	4 664 078
Deposits with banks and financial institutions	99 018	110 446
Financial assets at fair value through profit or loss	784 200	1 074 990
Direct credit facilities at amortized cost	22 180 987	22 002 028
Consumer Banking	4 678 011	4 394 994
Small and Medium Corporate	2 560 370	2 687 020
Large Corporate	13 547 256	13 378 721
Banks and financial institutions	191 382	482 220
Government and public sector	1 203 968	1 059 073
Other financial assets at amortized cost	9 003 709	9 117 018
Other assets and financial derivatives - positive fair value	367 870	390 395
Total Credit Exposure Related to Items on the Consolidated Statement of Financial Position	44 445 123	44 308 278
Credit risk exposures relating to items off the consolidated statement of financial position:		
Letters of credit	2 152 393	2 093 319
Acceptances	688 359	884 892
Letters of guarantees	12 813 870	13 513 896
Unused credit facilities	5 069 773	5 088 108
Total	20 724 395	21 580 215
Grand Total for Credit Exposure	65 169 518	65 888 493

The table above shows the maximum limit of the bank credit risk as of December 31, 2015 and 2014 excluding collaterals or risks mitigations.

B. Classification of assets credit exposure based on risk degree.

	December 31, 2015					Total
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk	1 366 911	1 353 875	2 357 044	4 198 793	17 618 654	26 895 277
Acceptable risk	3 319 207	1 322 319	11 330 550	886 620	407 095	17 265 791
Due:	16 203	40 710	124 061	-	306	181 280
- Up to 30 days	12 095	28 104	86 927	-	306	127 342
- 31 - 60 days	4 198	12 606	37 134	-	-	53 938
Watch list	29 174	37 714	328 011	-	-	394 899
Non-performing:	219 612	254 369	1 843 629	31 023	1 021	1 549 654
- Substandard	25 936	16 286	17 913	97	-	60 232
- Doubtful	14 473	16 462	487 853	29 670	-	548 458
- Problematic	179 203	221 621	537 863	1 256	1 021	940 964
Total	4 934 904	2 968 277	15 059 234	5 116 436	18 026 770	46 105 621
<u>Less: Interest and commission in suspense</u>	69 626	91 491	253 632	4 499	-	419 248
<u>Less: Provision for impairment</u>	171 143	134 135	931 868	1 353	2 751	1 241 250
Net	4 694 135	2 742 651	13 873 734	5 110 584	18 024 019	44 445 123

	December 31, 2014					Total
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Low risk	1 330 986	1 545 034	2 053 580	6 277 236	15 845 495	27 052 351
Acceptable risk	3 082 769	1 221 985	11 461 538	857 266	382 996	17 006 554
Due:	35 972	33 787	119 152	1 426	-	190 337
- Up to 30 days	31 238	27 634	38 944	58	-	97 874
- 31 - 60 days	4 734	6 153	80 208	1 368	-	92 463
Watch list	24 461	32 832	280 081	-	-	337 374
Non-performing:	206 343	243 975	1 136 341	30 202	1 108	1 617 969
- Substandard	20 549	12 222	7 888	-	-	40 659
- Doubtful	17 512	10 571	525 911	28 946	-	582 940
- Problematic	168 282	221 182	602 542	1 256	1 108	994 370
Total	4 644 599	3 043 826	14 931 540	7 164 724	16 229 599	46 014 248
<u>Less: Interest and commission in suspense</u>	60 515	93 016	237 177	3 739	-	394 447
<u>Less: Provision for impairment</u>	164 912	121 681	1 021 557	1 256	2 117	1 311 523
Net	4 419 132	2 829 129	13 672 806	7 159 729	16 227 482	44 308 278

The credit risk exposures includes direct credit facilities at amortized cost, balances and deposits with banks and financial institutions, bonds, treasury bills and any other assets exposed to credit risk.

C. Fair value of collaterals obtained against credit facilities at amortized cost for the year ended 2015 is as follows::

	December 31, 2015					Total USD '000
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Collaterals against:						
Performing facilities / Low risk	422 740	1 037 552	1 548 736	4 042	199 389	3 212 459
Performing facilities / Acceptable risk	1 192 192	589 044	4 062 694	1 445	3 188	5 848 563
Watch list	19 197	13 787	192 550	-	-	225 534
Non-performing :	47 321	62 521	108 465	-	-	218 307
- Substandard	14 287	11 010	3 623	-	-	28 920
- Doubtful	4 245	4 179	10 088	-	-	18 512
- Problematic	28 789	47 332	94 754	-	-	170 875
Total	1 681 450	1 702 904	5 912 445	5 487	202 577	9 504 863
Of which:						
Cash margin	245 745	450 579	887 715	-	3 231	1 587 270
Accepted Banks letters of guarantees	10 449	34 323	292 995	-	-	337 767
Real estate properties	306 283	407 418	2 220 489	-	92 839	3 027 029
Listed securities	1 417	170 439	472 114	-	3 188	647 158
Vehicles and equipment	89 813	13 702	313 582	-	-	417 097
Other	1 027 743	626 443	1 725 550	5 487	103 319	3 488 542
Total	1 681 450	1 702 904	5 912 445	5 487	202 577	9 504 863

- Fair value of collaterals obtained against credit facilities at amortized cost for the year ended 2014 is as follows:

	December 31, 2014					Total
	Consumer Banking	Corporates		Banks and Financial Institutions	Government and Public Sector	
		Small and Medium	Large			
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Collaterals against:						
Performing facilities / Low risk	328 501	1 325 344	1 199 324	4 504	215 359	3 073 032
Performing facilities / Acceptable risk	1 099 933	673 253	4 414 556	43 878	-	6 231 620
Watch list	16 185	11 739	116 532	-	-	144 456
Non-performing :	49 854	64 892	153 762	-	-	268 508
- Substandard	10 967	6 179	19 025	-	-	36 171
- Doubtful	8 906	8 242	14 053	-	-	31 201
- Problematic	29 981	50 471	120 684	-	-	201 136
Total	1 494 473	2 075 228	5 884 174	48 382	215 359	9 717 616
Of which:						
Cash margin	219 679	655 350	915 850	-	29 318	1 820 197
Accepted Banks letters of guarantees	1 552	59 569	257 534	39 477	-	358 132
Real estate properties	304 814	564 731	2 205 578	2 017	44 859	3 121 999
Listed securities	2 594	143 796	371 126	-	-	517 516
Vehicles and equipment	81 624	26 356	339 955	-	-	447 935
Other	884 210	625 426	1 794 131	6 888	141 182	3 451 837
Total	1 494 473	2 075 228	5 884 174	48 382	215 359	9 717 616

D. Classification of debt securities facilities based on risk degree:

The table below analyzes the credit exposure of the debt securities using the credit rating as per the global credit rating agencies:

	December 31, 2015		
	Financial assets at fair value through profit or loss	Other financial assets at amortized cost	Total
Credit rating	USD '000	USD '000	USD '000
Private sector:			
AAA to A-	299 539	1 319 271	1 618 810
BBB+ to B-	-	342 014	342 014
Below B-	-	10 403	10 403
Unrated	61 216	108 023	169 239
Governments and public sector	423 445	7 223 998	7 647 443
Total	784 200	9 003 709	9 787 909

	December 31, 2014		
	Financial Assets at Fair Value through P&L	Other Financial Assets at Amortized Cost	Total
Credit rating	USD '000	USD '000	USD '000
Private sector:			
AAA to A-	413 312	1 174 863	1 588 175
BBB+ to B-	-	396 561	396 561
Below B-	-	10 954	10 954
Unrated	22 757	137 296	160 053
Governments and public sector	638 921	7 397 344	8 036 265
Total	1 074 990	9 117 018	10 192 008

E. Credit exposure categorized by geographical distribution:

	December 31, 2015						
	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	4 374 322	3 006 628	4 956	1 629 644	-	1 386	9 016 936
Balances and deposits with banks and financial institutions	104 133	1 064 589	359 189	1 119 689	363 207	80 614	3 091 421
Financial assets at fair value through profit or loss	-	424 497	49 975	309 728	-	-	784 200
Direct credit facilities at amortized cost	5 536 779	14 407 265	294 720	1 082 857	30 514	828 852	22 180 987
Consumer Banking	2 145 483	2 171 649	2 907	56 259	4 714	296 999	4 678 011
Small and Medium Corporates	592 482	1 340 191	28 220	368 081	25 800	205 596	2 560 370
Large Corporates	2 700 039	9 629 265	259 093	636 644	-	322 215	13 547 256
Banks and Financial Institutions	16 848	148 619	-	21 873	-	4 042	191 382
Government and public Sector	81 927	1 117 541	4 500	-	-	-	1 203 968
Other financial assets at amortized cost	2 900 853	4 621 025	188 411	571 739	525 584	196 097	9 003 709
Other assets and financial derivatives - positive fair value	50 631	239 007	3 359	67 036	520	7 317	367 870
Total	12 966 718	23 763 011	900 610	4 780 693	919 825	1 114 266	44 445 123
Total - as of December 31, 2014	12 298 490	24 460 522	846 366	3 875 899	1 665 190	1 161 811	44 308 278

* Excluding Arab Countries.

F. Credit exposure categorized by economic sector

	December 31, 2015												
	Consumer Banking	Industry and Mining	Construction	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Stores	General Services	Banks and Financial Institutions	Government and Public Sector	Total
Balance with Central Banks	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
Balance and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	3 091 421	9 016 936	9 016 936
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	29 624	-	-	331 131	423 445	784 200
Direct credit facilities at amortized cost	4 678 011	4 438 773	1 861 483	1 710 773	3 621 191	164 638	626 012	752 236	67 046	2 866 054	191 382	1 203 968	22 180 987
Other financial assets at amortized cost	-	90 608	17 199	14 735	41 136	-	-	23 265	-	190 330	1 410 397	7 223 998	9 003 709
Other assets and financial derivatives - positive fair value	16 124	23 631	10 090	7 676	16 097	1 382	3 485	9 748	-	3 571 2	86 233	153 672	3 67 870
Total	4 694 135	4 545 012	1 888 772	1 733 205	3 678 444	166 428	629 517	816 873	67 046	3 092 096	3 110 584	18 024 019	44 448 133

	December 31, 2014												
	Consumer Banking	Industry and Mining	Construction	Real Estate	Trade	Agriculture	Tourism and Hotels	Transportation	Stores	General Services	Banks and Financial Institutions	Government and Public Sector	Total
Balance with Central Banks	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
Balance and deposits with banks and financial institutions	-	-	-	-	-	-	-	-	-	-	4 774 524	6 949 323	6 949 323
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	22 735	-	-	413 314	638 921	1 074 990
Direct credit facilities at amortized cost	4 394 994	4 801 443	1 605 182	1 641 284	3 734 571	168 323	609 005	787 606	87 729	2 630 598	482 220	1 059 073	22 002 028
Other financial assets at amortized cost	-	48 530	19 732	15 633	42 464	-	-	25 890	-	1 70 272	1 397 133	7 397 344	9 117 018
Other assets and financial derivatives - positive fair value	24 138	15 918	7 385	6 655	16 763	1 029	2 965	9 365	-	30 817	92 538	182 821	390 395
Total	4 419 132	4 865 911	1 632 269	1 653 572	3 793 798	169 352	611 976	845 617	87 729	2 831 687	7 159 729	16 227 482	44 308 278

45. Market Risk

Market Risk sensitivity

Assuming market prices as of December 31, 2015 and 2014 changed by (3%), the impact on the consolidated statement of income and owner's equity will be as follows:

	December 31, 2015			December 31, 2014		
	Consolidated Statement of Income	Owner's Equity	Total	Consolidated Statement of Income	Owner's Equity	Total
Interest rate sensitivity	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Foreign exchange rate sensitivity	40 987	-	40 987	37 521	-	37 521
Equity instruments price sensitivity	8 292	1 111	9 403	12 093	5 146	17 239
Total	2 389	23 982	26 341	2 595	27 877	30 472
	51 665	25 063	76 721	52 209	33 023	85 232

4.5. Interest Rate Risk

2. Below is the Group Exposure to Interest rate volatility as of December 31, 2015 (classification is based on interest rate repricing or maturity date, whichever is closer).

	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
ASSETS	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Cash at vaults	-	-	-	-	-	-	455 445	455 445
Mandatory cash reserve	-	-	-	-	-	-	1 835 107	1 835 107
Balances with central banks	5 008 361	-	-	-	-	-	2 173 468	7 181 829
Balances and deposits with banks and financial institutions	2 638 088	367 095	75 612	10 626	82 181	74 670	-	3 091 421
Financial assets at fair value through profit or loss	78 817	266 749	86 482	195 301	2 389 614	3 474 289	47 780	831 980
Direct credit facilities at amortized cost	9 048 788	3 382 832	2 354 992	1 530 472	-	-	-	22 180 987
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	479 038	479 038
Other financial assets at amortized cost	1 068 627	1 622 595	880 724	1 779 007	2 418 731	1 234 025	-	9 003 709
Investments in associates	-	-	-	-	-	-	2 916 290	2 916 290
Fixed assets	-	-	-	-	-	-	461 135	461 135
Other assets and financial derivatives - positive fair value	26 717	22 365	29 805	3 706	9 570	60	456 800	549 023
Deferred tax assets	-	-	-	-	-	-	58 629	58 629
TOTAL ASSETS	17 869 398	5 661 636	3 427 615	3 519 112	4 900 096	4 783 044	8 883 692	49 044 593
LIABILITIES								
Banks and financial institutions' deposits	2 198 797	939 307	109 050	60 257	6 115	-	323 208	3 636 734
Customer deposits	11 433 827	4 232 086	2 728 724	2 574 205	656 856	157 070	1 1 016 460	32 799 228
Cash margin	1 049 410	255 896	254 628	449 510	20 838	8 402	404 406	2 443 090
Borrowed funds	1 354	1 316	10 308	2 671	17 078	43 018	-	75 745
Provision for income tax	-	-	-	-	-	-	235 918	235 918
Other provisions	-	-	-	-	-	-	145 235	145 235
Other liabilities and financial derivatives - negative fair value	57 526	18 330	31 224	6 795	445	1 096	1 565 543	1 680 959
Deferred tax liabilities	-	-	-	-	-	-	12 103	12 103
Total liabilities	14 740 914	5 446 935	3 133 934	3 093 438	701 332	209 586	13 702 873	41 029 012
Gap	3 128 484	214 701	293 681	425 674	4 198 764	4 573 458	(4 819 181)	8 015 581

b. Below is the Group Exposure to interest rate volatility as of December 31, 2014 (classification is based on interest rate repricing or maturity date, whichever is closer).

ASSETS	Up to 1 Month	More than 1 Month and till 3 Months	More than 3 Months and till 6 Months	More than 6 Months and till 1 Year	More than 1 Year and till 3 Years	More than 3 Years	Not Tied to Interest Rate Risk	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Cash at vaults	-	-	-	-	-	-	442 651	442 651
Mandatory cash reserve	-	-	-	-	-	-	1 681 736	1 681 736
Balances with central banks	3 372 928	42 245	62 610	40 826	-	-	1 748 978	5 267 587
Balances and deposits with banks and financial institutions	4 192 108	471 970	87 757	22 689	-	-	-	4 774 524
Financial assets at fair value through profit or loss	121 016	209 647	52 282	363 293	281 879	46 873	51 904	1 126 894
Direct credit facilities at amortized cost	9 561 026	3 177 763	2 131 401	1 468 498	2 188 260	3 475 080	-	22 002 028
Financial assets at fair value through OCI	-	-	-	-	-	-	477 547	477 547
Other financial assets at amortized cost	927 325	1 534 919	1 263 873	1 346 077	2 956 272	1 088 552	-	9 117 018
Investments in associates	-	-	-	-	-	-	2 829 624	2 829 624
Fixed assets	-	-	-	-	-	-	473 241	473 241
Other assets and financial derivatives - positive fair value	27 323	21 629	24 648	3 255	31 702	2 369	449 890	560 816
Deferred tax assets	-	-	-	-	-	-	58 932	58 932
TOTAL ASSETS	18 201 726	5 458 173	3 622 571	3 244 638	5 458 113	4 612 874	8 214 503	48 812 598
LIABILITIES								
Banks and financial institutions' deposits	3 185 511	245 110	246 690	3 276	7 755	-	392 771	4 081 113
Customer deposits	11 349 023	4 274 603	2 769 432	2 605 039	461 560	78 832	10 526 782	32 065 271
Cash margin	992 128	1 051 335	273 931	102 110	29 075	22 482	432 497	2 903 558
Borrowed funds	32 770	566	7 360	2 640	12 375	31 380	-	87 091
Provision for income tax	-	-	-	-	-	-	235 248	235 248
Other provisions	-	-	-	-	-	-	144 203	144 203
Other liabilities and financial derivatives - negative fair value	90 913	31 994	37 841	3 679	312	1 833	1 228 877	1 395 449
Deferred tax liabilities	-	-	-	-	-	-	11 924	11 924
Total Liabilities	15 650 345	5 603 608	3 335 254	2 716 744	511 077	134 527	12 972 302	40 923 857
Gap	2 551 381	(145 435)	287 317	527 894	4 947 036	4 478 347	(4 757 799)	7 888 741

47. Liquidity Risk

a. The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of December 31, 2015:

Liabilities	Within 1 Month	After 1 Month and till 3 Months	After 3 Months and till 6 Months	After 6 Months and till One Year	After One Year and till 3 Years	After 3 Years	Not Tied to a Specific Maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Banks and financial institutions' deposits	2 210 099	906 368	349 816	60 340	29 743	-	323 208	3 879 574
Customer deposits	9 869 373	4 235 401	2 875 534	2 716 098	783 436	259 871	12 356 444	33 116 157
Cash margin	966 836	200 822	324 147	511 582	41 678	310	404 406	2 449 781
Borrowed funds	1 354	1 316	4 668	2 671	17 078	48 834	-	75 921
Provision for income tax	-	-	-	-	-	-	235 918	235 918
Other Provisions	-	-	-	-	-	-	145 235	145 235
Financial derivatives - negative fair value	2 481	1 161	2 170	1 390	3 161	9 240	34 361	53 964
Other liabilities	47 590	12 102	29 440	17 258	965 802	364	554 698	1 627 254
Deferred tax liabilities	-	-	-	-	-	-	12 103	12 103
Total Liabilities	13 097 733	5 377 170	3 585 775	3 309 339	1 840 898	318 619	14 066 373	41 595 907
Total Assets according to expected maturities:	11 052 354	5 446 395	2 875 914	3 401 929	6 220 710	8 398 964	11 648 327	49 044 593

b. The below is the distribution of the liabilities (undiscounted) according to the residual maturity as of December 31, 2014

Liabilities	Within 1 Month	After 1 Month and till 3 Months	After 3 Months and till 6 Months	After 6 Months and till One Year	After One Year and till 3 Years	After 3 Years	Not Tied to a Specific Maturity	Total
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Banks and financial institutions' deposits	3 301 173	172 933	261 536	4 701	8 350	7 755	392 771	4 149 219
Customer deposits	9 947 344	4 350 830	2 954 287	2 695 944	530 953	131 577	11 691 152	32 302 087
Cash margin	937 128	1 110 731	280 931	1 111 733	37 397	14 648	422 525	2 915 093
Borrowed funds	1 417	566	5 750	2 640	20 060	56 694	-	87 127
Provision for income tax	-	-	-	-	-	-	235 248	235 248
Other Provisions	-	-	-	-	-	-	144 203	144 203
Financial derivatives - negative fair value	14 546	2 432	374	1 455	9 598	11 196	23 134	62 735
Other liabilities	66 570	21 538	110 100	2 040	661 421	453	470 838	1 332 960
Deferred tax liabilities	-	-	-	-	-	-	11 924	11 924
Total Liabilities	14 268 178	5 659 030	3 612 978	2 818 513	1 267 779	222 323	13 391 795	41 240 596
Total Assets according to expected maturities	10 133 493	6 516 120	3 068 707	3 594 941	6 795 226	7 882 544	10 821 567	48 812 598

48. Net Foreign Currency Positions

The details of this item are as follows:

	December 31, 2015		December 31, 2014	
	Base currency in these assets	Equivalent in USD '000	Base currency in these assets	Equivalent in USD '000
USD	43 115	43 115	87 764	87 764
GBP	4 051	6 004	56 081	87 245
EUR	(21 628)	(23 621)	(9 823)	(11 932)
JPY	934 750	7 927	55 536	329
CHF	(1 250)	(1 263)	(2 630)	(2 920)
Other currencies *		131 681		81 379
		<u>165 843</u>		<u>241 865</u>

* Various foreign currencies translated to US Dollars.

49. Fair Value Hierarchy

A. Fair value of financial assets and financial liabilities measured at fair value on recurring basis.

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair value of these financial assets and financial liabilities are 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
	December 31, 2015	December 31, 2014				
Financial assets at fair value	USD '000	USD '000				
Financial assets at fair value through profit or loss						
Government Bonds and bills	423 445	638 921	Level 1	Quoted	Not Applicable	Not Applicable
Corporate bonds	331 131	413 312	Level 1	Quoted	Not Applicable	Not Applicable
Loans and advances	29 624	22 757	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Shares and mutual funds	47 780	51 904	Level 1	Quoted	Not Applicable	Not Applicable
Total Financial Assets at fair value through Profit or Loss	831 980	1 126 894				
Financial derivatives - positive fair value	58 238	56 264	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Financial assets at fair value through other comprehensive income:						
Quoted shares	256 776	241 820	Level 1	Quoted Shares	Not Applicable	Not Applicable
Unquoted shares	212 262	215 727	Level 2	Through using the index sector in the market	Not Applicable	Not Applicable
Total Financial Assets at fair value through other comprehensive income	479 038	477 547				
Total Financial Assets at Fair Value	1 369 283	1 668 705				
Financial liabilities at Fair Value						
Financial derivatives - negative fair value	53 705	62 463	Level 2	Through Comparison of similar financial instruments	Not Applicable	Not Applicable
Total Financial Liabilities at Fair Value	53 705	62 463				

There were no transfers between Level 1 and 2 during 2015 and 2014.

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

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

	December 31, 2015		December 31, 2014		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 reserve at Central Banks	1 835 107	1 835 107	1 681 736	1 681 736	Level 2
Time and notice balances with Central banks	4 392 724	4 393 693	3 328 069	3 329 047	Level 2
Certificates of deposit with central banks	615 637	615 636	190 540	190 577	Level 2
Balances and Deposits with banks and Financial institutions	5 091 421	3 095 933	4 774 524	4 779 564	Level 2
Direct credit facilities at amortized cost	22 180 987	22 247 851	22 002 028	22 066 039	Level 2
Other Financial assets at amortized cost	9 003 709	9 095 897	9 117 018	9 219 095	Level 1 & 2
Total financial assets not calculated at fair value	41 119 585	41 284 126	41 893 915	41 298 048	
Financial liabilities not calculated at fair value					
Banks and financial institutions' deposits	3 636 734	3 643 427	4 081 113	4 084 173	Level 2
Customer deposits	32 799 228	32 907 308	32 065 271	32 180 675	Level 2
Cash margin	2 443 090	2 449 507	2 903 538	2 919 129	Level 2
Borrowed funds	75 745	77 128	87 091	88 839	Level 2
Total financial liabilities not calculated at fair value	39 954 797	39 077 370	39 137 033	39 273 636	

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 that discount rate.

50- Analysis of Assets and Liabilities Maturities

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at December 31, 2015:

	UP to One Year	More than One Year	Total
	USD '000	USD '000	USD '000
Assets			
Cash at vaults	455 445	-	455 445
Mandatory cash reserve	1 835 107	-	1 835 107
Balances with central banks	7 181 829	-	7 181 829
Balances and deposits with banks and financial institutions	3 091 421	-	3 091 421
Financial assets at fair value through profit or loss	448 550	383 430	831 980
Direct credit facilities at amortized cost	12 044 419	10 136 568	22 180 987
Financial assets at fair value through other comprehensive income	-	479 038	479 038
Other financial assets at amortized cost	4 932 100	4 071 609	9 003 709
Investment in subsidiaries and associates	-	2 916 290	2 916 290
Fixed assets	-	461 135	461 135
Other assets and financial derivatives - positive fair value	520 956	28 067	549 023
Deferred tax assets	58 629	-	58 629
Total Assets	30 568 456	18 476 137	49 044 593
Liabilities			
Banks' and financial institutions' deposits	3 630 617	6 117	3 636 734
Customer deposits	31 966 629	832 599	32 799 228
Cash margin	2,402 588	40 502	2 443 090
Borrowed funds	10 009	65 736	75 745
Other Provisions	145 235	-	145 235
Provision for income tax	235 918	-	235 918
Other liabilities and financial derivatives - negative fair value	702 395	978 564	1 680 959
Deferred tax liabilities	12 103	-	12 103
Total Liabilities	39 105 494	1 923 518	41 029 012
Net	(8 537 038)	16 552 619	8 015 581

The below is an analysis for assets and liabilities maturities according to the expected period to be recovered or settled as at December 31, 2014:

	UP to One Year	More than One Year	Total
	USD '000	USD '000	USD '000
Assets			
Cash at vaults	442 651	-	442 651
Mandatory cash reserve	1 681 736	-	1 681 736
Balances with central banks	5 267 587	-	5 267 587
Balances and deposits with banks and financial institutions	4 774 524	-	4 774 524
Financial assets at fair value through profit or loss	603 003	523 891	1 126 894
Direct credit facilities at amortized cost	12 261 264	9 740 764	22 002 028
Financial assets at fair value through other comprehensive income	-	477 547	477 547
Other financial assets at amortized cost	4 732 909	4 384 109	9 117 018
Investment in subsidiaries and associates	-	2 829 624	2 829 624
Fixed assets	-	473 241	473 241
Other assets and financial derivatives - positive fair value	531 810	29 006	560 816
Deferred tax Assets	58 932	-	58 932
Total Assets	30 354 416	18 458 182	48 812 598
Liabilities			
Banks' and financial institutions' deposits	4 048 708	32 405	4 081 113
Customer deposits	31 516 114	549 157	32 065 271
Cash margin	2 852 000	51 558	2 903 558
Borrowed funds	10 373	76 718	87 091
Provision for income tax	235 248	-	235 248
Other Provisions	144 203	-	144 203
Other liabilities and financial derivatives - negative fair value	733 575	661 874	1 395 449
Deferred tax liabilities	11 924	-	11 924
Total Liabilities	39 552 145	1 371 712	40 923 857
Net	(9 197 729)	17 086 470	7 888 741

51. Contractual Maturity of the Contingent Accounts

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

December 31, 2015				
	Within 1 Year	More than 1 Year and up to 5 Years	More than 5 Years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	1 437 791	714 602	-	2 152 393
Acceptances	679 717	8 642	-	688 359
Letters of guarantee:				
- Payment guarantees	639 728	74 136	15 964	729 828
- Performance guarantees	3 738 318	2 286 546	1 130 903	7 155 767
- Other guarantees	3 233 887	1 017 004	677 384	4 928 275
Unutilized credit facilities	4 515 813	499 238	54 722	5 069 773
Total	14 245 254	4 600 168	1 878 973	20 724 395
Constructions projects contracts	450	11 979	-	12 429
Procurement contracts	11 084	4 503	1 145	16 732
Operating lease contracts	4 653	11 912	13 692	30 257
Total	16 187	28 394	14 837	59 418

December 31, 2014				
	Within 1 Year	More than 1 Year and up to 5 Years	More than 5 Years	Total
	USD '000	USD '000	USD '000	USD '000
Letters of credit	2 030 406	62 913	-	2 093 319
Acceptances	876 534	8 358	-	884 892
Letters of guarantee:				
- Payment guarantees	932 033	126 195	4 685	1 062 913
- Performance guarantees	3 443 981	2 385 514	365 277	6 194 772
- Other guarantees	4 146 430	1 817 905	291 876	6 256 211
Unutilized credit facilities	4 628 100	371 885	88 123	5 088 108
Total	16 057 484	4 772 770	749 961	21 580 215
Constructions projects contracts	420	8 065	-	8 485
Procurement contracts	6 380	4 265	-	10 645
Operating lease contracts	2 863	11 560	8 833	23 256
Total	9 663	23 890	8 833	42 386

52. 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 the Basel Committee, is as follows:

	December 31,	
	2015	2014
	USD '000	USD '000
A- Core Capital:		
Share capital	926 615	826 223
Statutory reserve	753 065	712 722
Voluntary reserve	977 315	977 315
Share premium	1 225 747	1 225 747
General reserve	1 141 824	1 141 824
Retained earnings *	1 194 643	1 149 576
Intangible assets	0	0
Foreclosed assets	-	(11 208)
Non-controlling interests	93 980	94 282
Total core capital	6 313 189	6 116 481
B- Supplementary Capital:		
Foreign currency translation reserve	(284 609)	(122 751)
Investments revaluation reserve	(260 621)	(219 278)
Subordinated loans	13 867	17 900
General banking risk reserve	363 458	363 458
Total supplementary capital	(167 905)	39 329
C- Deductible Items	1 454 595	1 370 134
Regulatory capital (A+B-C)	4 690 689	4 785 676
Risk-weighted assets (RWA)	33 026 774	32 330 688
Regulatory capital / risk-weighted assets	14.20%	14.80%
Core capital / risk-weighted assets	14.20%	14.80%

* Includes deferred tax and intangible assets.

- 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.

- The minimum level of the capital adequacy ratio as defined by the Basel Committee is 8% and 12% as per the instructions of the Central Bank of Jordan. Capital adequacy ratio amounted to 14.20% as of December 31, 2015 (14.80% as of December 31, 2014).

53. Transactions with Related Parties

The details of this item are as follows:

	December 31, 2015			
	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	110 246	-	111 949	90 068
Major Shareholders and Members of the Board of Directors	-	534 053	566 682	66 907
	110 246	534 053	678 631	156 975
	December 31, 2014			
	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	772 675	-	116 111	85 438
Major Shareholders and Member of the Board of Directors	-	425 758	611 474	56 369
	772 675	425 758	727 585	141 807

- All facilities granted to related parties are performing loans in accordance with the credit rating of the Group. No provisions for the year have been recorded in relation to impairment in value.

The details of transactions with related parties are as follows:

	2015	
	Interest Income	Interest Expense
	USD '000	USD '000
Associate companies	579	163
	2014	
	Interest Income	Interest Expense
	USD '000	USD '000
Associate companies	764	169

- Direct credit facilities granted to key management personnel amounted to USD 1.9 million and indirect credit facilities amounted to USD 8.5 thousand as of December 31, 2015 (USD 0.8 million direct credit facilities and USD 0.1 million indirect credit facilities as of December 31, 2014).
- Deposits of key management personnel amounted to USD 2.2 million as of December 31, 2015 (USD 2.7 million as of December 31, 2014).
- Interest on credit facilities granted to major shareholders and members of the Board of Directors is recorded at arm's length.
- The salaries and other fringe benefits of the Group's key management personnel, inside and outside Jordan, amounted to USD 57.7 million for the year ended on December 31, 2015 (USD 56.6 million for the year ended on December 31, 2014).

54. Earnings Per Share

The details of this item are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>USD '000</u>	<u>USD '000</u>
Profit for the year attributable to Shareholders of the Bank	430 830	573 687
	<u>Thousand Shares</u>	
Average number of shares *	640 800	640 800
	<u>USD / Share</u>	
Earnings Per Share (Basic and diluted)	0.67	0.90

* The average number of share, was calculated on the basis of 640.8 million shares, instead of 569.6 million shares for the year ended December 31, 2014, taking into consideration the increase in shares as a result of the stock dividends.

55. Assets under Management

Assets under management as of December 31, 2015 amounted to USD 3219 million (USD 3060 million as of December 31,2014). These deposits are not included in the Group consolidated financial statements.

56. Cash and Cash Equivalent

The details of this item are as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
	<u>USD '000</u>	<u>USD '000</u>
Cash and balances with central banks maturing within 3 months	9 472 381	7 288 538
<u>Add:</u> balances with banks and financial institutions maturing within 3 months	2 992 403	4 664 078
<u>Less:</u> banks and financial institutions deposits maturing within 3 months	2 949 869	3 823 392
Total	9 514 915	8 129 224

57. Legal Cases

- A. In 2004, a number of civil lawsuits seeking damages were filed against Arab Bank plc in which it was alleged that the Bank provided financial services to individuals and entities who were characterized in the claims as "terrorists" and "terrorist organizations" operating in the Palestinian Territories. The plaintiffs claimed that the Bank's provision of these financial services constituted material support for terrorism, which resulted in their death or injury.

After a trial in the Eastern District of New York, on September 22, 2014, the jury found the Bank civilly liable for the plaintiffs who possessed U.S. citizenship and who sustained damages as a result of attacks allegedly perpetrated by Hamas.

The Court scheduled August 17, 2015, to proceed with a "bellwether" damages trial limited to three incidents and 17 of those plaintiffs.

On August 14, 2015, a settlement agreement was reached by the parties and upon the request of the plaintiffs and the Bank, the Judge granted an extension until May 16, 2016, to give them a sufficient period of time to implement the said agreement.

In the opinion of management and counsel representing the bank in the above-referred matter, this agreement is deemed to be in the best interest of the Bank, and it has been entered into upon acceptable terms and without admission of liability of any wrongdoing by the bank. This settlement agreement will put an end to the litigation, which has been outstanding for over 11 years and it has provided a framework limiting the financial liability of the Bank deriving from it. The Bank has sufficient provisions to cover the expected financial obligations under this agreement.

In the year 2005, the Bank in New York entered into an agreement with the Office of the Comptroller of the Currency pursuant to which the branch was converted into a Federal Agency with limited operations in compliance with the provisions of the U.S. Federal Banking Act. It was also agreed that the Federal Agency would maintain financial assets in the approximate amount of USD 420 million.

- B. There are other lawsuits filed against the Group totaling USD 135.7 million as of December 31, 2015 (USD 155.1 million as of December 31, 2014).

In the opinion of the management and the lawyers representing the Group in the litigation at issue, the Group will not be held liable for any amount in excess of the amount of provisions taken in connection with the lawsuits totaling USD 8 million as of December 31, 2015 (USD 6 million as of December 31, 2014).

58. Comparative Figures

Some comparative figures in the consolidated financial statements which are direct credit facilities at amortized cost, other liabilities, provision for impairment of credit facilities and legal expenses for the year 2014 have been reclassified to be consistent with the year 2015 presentation and it didn't cause any changes in last years operating results or earning per share (basic and diluted) for this year nor the previous one.