

**Arab Banking Corporation (B.S.C.)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 JUNE 2017 (REVIEWED)**

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF ARAB BANKING CORPORATION (B.S.C.)**

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Arab Banking Corporation (B.S.C.) [the Bank] and its subsidiaries [together the Group] as at 30 June 2017, comprising of the interim consolidated statement of financial position as at 30 June 2017 and the related interim consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of review***

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



24 July 2017  
Manama, Kingdom of Bahrain

# Arab Banking Corporation (B.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017 (Reviewed)

*All figures in US\$ million*

	<b>Reviewed</b> <b>30 June</b> <b>2017</b>	<b>Audited</b> <b>31 December</b> <b>2016</b>
<b>ASSETS</b>		
Liquid funds	1,215	1,831
Trading securities	878	711
Placements with banks and other financial institutions	4,004	4,130
Securities bought under repurchase agreements	1,729	1,556
Non-trading securities	5,759	5,635
Loans and advances	13,961	14,683
Interest receivable	438	430
Other assets	1,124	1,053
Premises and equipment	115	112
<b>TOTAL ASSETS</b>	<b>29,223</b>	<b>30,141</b>
<b>LIABILITIES</b>		
Deposits from customers	16,577	14,270
Deposits from banks	4,648	5,870
Certificates of deposit	38	37
Securities sold under repurchase agreements	149	169
Interest payable	402	369
Taxation	78	94
Other liabilities	847	803
<b>TERM NOTES, BONDS AND OTHER TERM FINANCING</b>	<b>2,179</b>	<b>4,269</b>
<b>Total liabilities</b>	<b>24,918</b>	<b>25,881</b>
<b>EQUITY</b>		
Share capital	3,110	3,110
Statutory reserve	462	462
Retained earnings	867	859
Other reserves	(591)	(605)
<b>EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS</b> <b>OF THE PARENT</b>	<b>3,848</b>	<b>3,826</b>
Non-controlling interests	457	434
<b>Total equity</b>	<b>4,305</b>	<b>4,260</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>29,223</b>	<b>30,141</b>

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 24 July 2017 and signed on their behalf by the Chairman, Deputy Chairman and the Group Chief Executive Officer.

  
 \_\_\_\_\_  
 Saddek El Kaber  
 Chairman

  
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 Hilal Mishari Al Mutairi  
 Deputy Chairman

  
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 Khaled Kawan  
 Group Chief Executive Officer

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six-month period ended 30 June 2017 (Reviewed)

All figures in US\$ million

	<i>Reviewed</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>	<i>2016</i>	<i>30 June</i>	<i>2016</i>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>OPERATING INCOME</b>				
Interest and similar income	<b>376</b>	330	<b>760</b>	624
Interest and similar expense	<b>(240)</b>	(196)	<b>(490)</b>	(370)
<b>Net interest income</b>	<b>136</b>	134	<b>270</b>	254
Other operating income	<b>67</b>	99	<b>162</b>	188
<b>Total operating income</b>	<b>203</b>	233	<b>432</b>	442
Impairment provisions - net	<b>(21)</b>	(18)	<b>(50)</b>	(36)
<b>NET OPERATING INCOME AFTER PROVISIONS</b>	<b>182</b>	215	<b>382</b>	406
<b>OPERATING EXPENSES</b>				
Staff	<b>75</b>	75	<b>153</b>	146
Premises and equipment	<b>8</b>	9	<b>17</b>	17
Other	<b>29</b>	24	<b>54</b>	49
<b>Total operating expenses</b>	<b>112</b>	108	<b>224</b>	212
<b>PROFIT BEFORE TAXATION</b>	<b>70</b>	107	<b>158</b>	194
Taxation on foreign operations	<b>(3)</b>	(36)	<b>(26)</b>	(71)
<b>PROFIT FOR THE PERIOD</b>	<b>67</b>	71	<b>132</b>	123
Profit attributable to non-controlling interests	<b>(15)</b>	(11)	<b>(30)</b>	(22)
<b>PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT</b>	<b>52</b>	60	<b>102</b>	101
<b>BASIC AND DILUTED EARNINGS PER SHARE (EXPRESSED IN US\$)</b>	<b>0.02</b>	0.02	<b>0.03</b>	0.03



Saddek El Kaber  
Chairman



Hilal Mishari Al Mutairi  
Deputy Chairman



Khaled Kawan  
Group Chief Executive Officer

Arab Banking Corporation (B.S.C.)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 June 2017 (Reviewed)

All figures in US\$ million

	<i>Reviewed</i>			
	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<b>2017</b>	2016	<b>2017</b>	2016
<b>PROFIT FOR THE PERIOD</b>	<b>67</b>	71	<b>132</b>	123
<b>Other comprehensive income:</b>				
<b><i>Other comprehensive income that could be reclassified (or recycled) to profit or loss in subsequent periods:</i></b>				
Net fair value movements during the period after impairment effect	<b>(11)</b>	7	<b>20</b>	(14)
Amortisation of fair value shortfall on reclassified securities	-	1	-	1
Unrealised (loss) gain on exchange translation of foreign subsidiaries	<b>(41)</b>	25	<b>(10)</b>	32
	<b>(52)</b>	33	<b>10</b>	19
<b><i>Other comprehensive income that cannot be reclassified (or recycled) to profit or loss in subsequent periods:</i></b>				
Net change in pension fund reserve	<b>(1)</b>	-	<b>(1)</b>	-
	<b>(1)</b>	-	<b>(1)</b>	-
Total other comprehensive (loss) income for the period	<b>(53)</b>	33	<b>9</b>	19
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>14</b>	104	<b>141</b>	142
Total comprehensive loss (income) attributable to non-controlling interests	<b>1</b>	(45)	<b>(25)</b>	(82)
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>	<b>15</b>	59	<b>116</b>	60

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

# Arab Banking Corporation (B.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 June 2017 (Reviewed)

All figures in US\$ million

	<i>Reviewed</i>	
	<i>Six months ended</i>	
	<i>30 June</i>	
	<b>2017</b>	<b>2016</b>
<b>OPERATING ACTIVITIES</b>		
Profit for the period	132	123
Adjustments for:		
Impairment provisions - net	50	36
Depreciation and amortisation	10	6
Gain on disposal of premises and equipment - net	(5)	-
Gain on disposal of non-trading securities - net	(9)	(17)
Amortisation of fair value shortfall on reclassified securities	-	1
Changes in operating assets and liabilities:		
Treasury bills and other eligible bills	50	(27)
Trading securities	(179)	153
Placements with banks and other financial institutions	197	469
Securities bought under repurchase agreements	(192)	(250)
Loans and advances	749	(296)
Interest receivable and other assets	(91)	(205)
Deposits from customers	1,553	465
Deposits from banks	(1,293)	398
Securities sold under repurchase agreements	(20)	(38)
Interest payable and other liabilities	69	359
Other non-cash movements	10	(34)
Net cash from operating activities	<b>1,031</b>	1,143
<b>INVESTING ACTIVITIES</b>		
Purchase of non-trading securities	(1,617)	(4,124)
Sale and redemption of non-trading securities	1,540	3,604
Purchase of premises and equipment	(14)	(8)
Sale of premises and equipment	12	2
Investment in subsidiaries - net	3	1
Net cash used in investing activities	<b>(76)</b>	(525)
<b>FINANCING ACTIVITIES</b>		
Issue of certificates of deposit - net	1	(2)
Redemption / repurchase of term notes, bonds and other term financing - net	(1,422)	-
Dividend paid to the Group's shareholders	(93)	-
Dividend paid to non-controlling interests	(16)	(14)
Net cash used in financing activities	<b>(1,530)</b>	(16)
Net change in cash and cash equivalents	<b>(575)</b>	602
Effect of exchange rate changes on cash and cash equivalents	8	(32)
Cash and cash equivalents at beginning of the period	<b>1,530</b>	791
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>963</b>	1,361

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

# Arab Banking Corporation (B.S.C.)

## INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 June 2017 (Reviewed)

All figures in US\$ million

	Equity attributable to shareholders of the parent							Non-controlling interests	Total equity	
	Other reserves									
	Share capital	Statutory reserve	Retained earnings*	General reserve	Foreign exchange translation adjustments	Cumulative changes in fair value	Pension fund reserve			Total
At 31 December 2016	3,110	462	859	100	(625)	(45)	(35)	3,826	434	4,260
Profit for the period	-	-	102	-	-	-	-	102	30	132
Other comprehensive (loss) income for the period	-	-	-	-	(5)	20	(1)	14	(5)	9
Total comprehensive income (loss) for the period	-	-	102	-	(5)	20	(1)	116	25	141
Dividend	-	-	(93)	-	-	-	-	(93)	-	(93)
Other equity movements in subsidiaries	-	-	(1)	-	-	-	-	(1)	(2)	(3)
<b>At 30 June 2017 (reviewed)</b>	<b>3,110</b>	<b>462</b>	<b>867</b>	<b>100</b>	<b>(630)</b>	<b>(25)</b>	<b>(36)</b>	<b>3,848</b>	<b>457</b>	<b>4,305</b>
At 31 December 2015	3,110	444	693	100	(507)	(44)	(23)	3,773	335	4,108
Profit for the period	-	-	101	-	-	-	-	101	22	123
Other comprehensive (loss) income for the period	-	-	-	-	(28)	(13)	-	(41)	60	19
Total comprehensive income (loss) for the period	-	-	101	-	(28)	(13)	-	60	82	142
Other equity movements in subsidiaries	-	-	1	-	-	-	-	1	(6)	(5)
At 30 June 2016 (reviewed)	3,110	444	795	100	(535)	(57)	(23)	3,834	411	4,245

\* Retained earnings include non-distributable reserves arising from consolidation of subsidiaries amounting to US\$ 424 million (31 December 2016: US\$ 419 million).

The attached notes 1 to 7 form part of these interim condensed consolidated financial statements.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

All figures in US\$ million

**1 INCORPORATION AND ACTIVITIES**

Arab Banking Corporation (B.S.C.) [the Bank] is incorporated in the Kingdom of Bahrain by an Amiri decree and operates under a wholesale banking licence issued by the Central Bank of Bahrain. The Bank is a Bahraini Shareholding Company with limited liability and is listed on the Bahrain Bourse. The Central Bank of Libya is the ultimate parent of the Bank and its subsidiaries (together 'the Group').

The Bank's registered office is at ABC Tower, Diplomatic Area, P.O. Box 5698, Manama, Kingdom of Bahrain. The Bank is registered under commercial registration number 10299 issued by the Ministry of Industry and Commerce, Kingdom of Bahrain.

The Group offers a range of international wholesale banking services including Corporate Banking & Financial Institutions, Project & Structured Finance, Syndications, Treasury, Trade Finance services and Islamic Banking. Retail banking services are only provided in the MENA region.

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

**2.1 Basis of preparation**

The interim condensed consolidated financial statements for the six-month period ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not contain all information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016. In addition, results for the six-month period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

**2.2 Basis of consolidation**

These interim condensed consolidated financial statements include the financial statements of the Bank and its subsidiaries after elimination of inter-company transactions and balances.

**2.3 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017.

The following new and amended accounting standards became effective in 2017 and have been adopted by the Group in preparation of these interim condensed consolidated financial statements as applicable. Whilst they did not have any material impact on these interim condensed consolidated financial statements, they may require additional disclosures in the annual consolidated financial statements for the year ending 31 December 2017:

Amendments to IAS 12 Income Taxes

Amendments to IAS 7 Statement of Cash Flows

Annual improvements cycle - 2014 -2016

- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

All figures in US\$ million

**2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**

**2.4 New standards, interpretations and amendments issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

<i>Topic</i>	<i>Effective date</i>
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

The Group is assessing the impact of implementation of these standards.

**3 OPERATING SEGMENTS**

For management purposes, the Group is organised into five operating segments which are based on business units and their activities. The Group has accordingly been structured to place its activities under the distinct divisions which are as follows:

- **MENA subsidiaries** cover retail, corporate and treasury activities of subsidiaries in North Africa and Levant;
- **International wholesale banking** encompasses corporate and structured finance, trade finance, Islamic banking services and syndications;
- **Group treasury** comprises treasury activities of Bahrain Head Office, New York and London;
- **ABC Brasil** primarily reflects the commercial banking and treasury activities of the Brazilian subsidiary Banco ABC Brasil S.A., focusing on the corporate and middle market segments in Brazil; and
- **Other** includes activities of Arab Financial Services B.S.C. (c).

<b>Six-month period ended</b>	<i>International</i>					<i>Total</i>
	<i>MENA subsidiaries</i>	<i>wholesale banking</i>	<i>Group treasury</i>	<i>ABC Brasil</i>	<i>Other</i>	
<b>30 June 2017</b>						
Net interest income	60	74	6	119	11	270
Other operating income	22	38	19	64	19	162
Total operating income	82	112	25	183	30	432
Profit before impairment provisions	38	71	12	118	19	258
Impairment provisions - net	(2)	(4)	-	(44)	-	(50)
Profit before taxation and unallocated operating expenses	36	67	12	74	19	208
Taxation on foreign operations	(10)	(2)	-	(14)	-	(26)
Unallocated operating expenses						(50)
Profit for the period						132
Operating assets as at 30 June 2017	3,251	9,161	8,830	7,904	77	29,223
Operating liabilities as at 30 June 2017	2,811	-	15,322	6,781	4	24,918

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

All figures in US\$ million

**3 OPERATING SEGMENTS (continued)**

Six-month period ended 30 June 2016	<i>International</i>					<i>Total</i>
	<i>MENA subsidiaries</i>	<i>wholesale banking</i>	<i>Group treasury</i>	<i>ABC Brasil</i>	<i>Other</i>	
Net interest income	71	66	15	98	4	254
Other operating income	25	39	17	90	17	188
Total operating income	96	105	32	188	21	442
Profit before impairment provisions	48	61	24	135	8	276
Impairment provisions - net	(1)	1	-	(36)	-	(36)
Profit before taxation and unallocated operating expenses	47	62	24	99	8	240
Taxation on foreign operations	(11)	(5)	(1)	(54)	-	(71)
Unallocated operating expenses						(46)
Profit for the period						123
Operating assets as at 31 December 2016	3,146	9,924	9,178	7,815	78	30,141
Operating liabilities as at 31 December 2016	2,688	-	16,591	6,597	5	25,881

**4 FINANCIAL INSTRUMENTS**

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities.

**Quantitative disclosure of fair value measurement hierarchy for assets as at 30 June 2017:**

**Financial assets measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	878	-	878
Non-trading securities - available-for-sale			
<i>Quoted debt securities</i>	5,128	-	5,128
<i>Unquoted debt securities</i>	-	410	410
<i>Quoted equity shares</i>	4	-	4
<i>Unquoted equity shares</i>	-	-	-
Derivatives held for trading			
<i>Interest rate swaps</i>	-	49	49
<i>Currency swaps</i>	-	16	16
<i>Forward foreign exchange contracts</i>	-	31	31
<i>Options</i>	316	38	354
<i>Futures</i>	10	-	10
Derivatives held as hedges			
<i>Interest rate swaps</i>	-	-	-
<i>Forward foreign exchange contracts</i>	-	-	-
<i>Options</i>	-	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

All figures in US\$ million

**4 FINANCIAL INSTRUMENTS (continued)**

**Quantitative disclosure of fair value measurement hierarchy for liabilities as at 30 June 2017:**

**Financial liabilities measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading			
<i>Interest rate swaps</i>	-	41	41
<i>Currency swaps</i>	-	15	15
<i>Forward foreign exchange contracts</i>	-	44	44
<i>Options</i>	274	39	313
<i>Futures</i>	1	-	1
Derivatives held as hedges			
<i>Interest rate swaps</i>	-	-	-
<i>Forward foreign exchange contracts</i>	-	6	6
<i>Options</i>	-	-	-

**Quantitative disclosure of fair value measurement hierarchy for assets as at 31 December 2016:**

**Financial assets measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Trading securities	708	3	711
Non-trading securities - available-for-sale			
<i>Quoted debt securities</i>	4,142	-	4,142
<i>Unquoted debt securities</i>	-	485	485
<i>Quoted equity shares</i>	4	-	4
<i>Unquoted equity shares</i>	-	-	-
Derivatives held for trading			
<i>Interest rate swaps</i>	-	47	47
<i>Currency swaps</i>	-	21	21
<i>Forward foreign exchange contracts</i>	-	79	79
<i>Options</i>	228	51	279
<i>Futures</i>	9	-	9
Derivatives held as hedges			
<i>Interest rate swaps</i>	-	-	-
<i>Forward foreign exchange contracts</i>	-	-	-
<i>Options</i>	-	-	-

**Quantitative disclosure of fair value measurement hierarchy for liabilities as at 31 December 2016:**

**Financial liabilities measured at fair value:**

	<i>Level 1</i>	<i>Level 2</i>	<i>Total</i>
Derivatives held for trading			
<i>Interest rate swaps</i>	-	42	42
<i>Currency swaps</i>	-	27	27
<i>Forward foreign exchange contracts</i>	-	33	33
<i>Options</i>	204	52	256
<i>Futures</i>	11	-	11
Derivatives held as hedges			
<i>Interest rate swaps</i>	-	-	-
<i>Forward foreign exchange contracts</i>	-	25	25
<i>Options</i>	-	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

All figures in US\$ million

**4 FINANCIAL INSTRUMENTS (continued)**

**Fair values of financial instruments not carried at fair value**

Except for the following, the fair value of financial instruments which are not carried at fair value are not materially different from their carrying value.

	<u>30 June 2017</u>		<u>31 December 2016</u>	
	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>
<b>Financial assets</b>				
Other non-trading securities	203	230	989	1,012
<b>Financial liabilities</b>				
Term notes, bonds and other term financing	2,179	2,190	4,269	4,280

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

**Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise primarily DAX, FTSE 100 and Dow Jones equity investments classified as trading securities or available for sale.

**Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Transfers between level 1 and level 2**

There were no transfers between level 1 and level 2 during the period ended 30 June 2017 (31 December 2016: none).

**5 CREDIT COMMITMENTS AND CONTINGENT ITEMS**

**a) Credit commitments and contingencies**

	<u>30 June 2017</u>	<u>31 December 2016</u>
Short-term self-liquidating trade and transaction-related contingent items	2,986	2,843
Direct credit substitutes, guarantees	3,593	3,581
Undrawn loans and other commitments	1,974	2,166
	<u>8,553</u>	<u>8,590</u>
Risk weighted equivalents	<u>2,967</u>	<u>2,890</u>

# Arab Banking Corporation (B.S.C.)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017 (Reviewed)

All figures in US\$ million

### 5 CREDIT COMMITMENTS AND CONTINGENT ITEMS (continued)

#### b) Derivatives

The outstanding notional amounts at the consolidated statement of financial position date were as follows:

	<b>30 June 2017</b>	<i>31 December 2016</i>
Interest rate swaps	<b>6,509</b>	5,067
Currency swaps	<b>492</b>	623
Forward foreign exchange contracts	<b>5,541</b>	5,078
Options	<b>6,713</b>	5,842
Futures	<b>3,072</b>	2,491
Forward rate agreements	-	50
	<b>22,327</b>	19,151
Risk weighted equivalents (credit and market risk)	<b>1,855</b>	1,774

### 6 TRANSACTIONS WITH RELATED PARTIES

Related parties represent the ultimate parent, major shareholders, associates, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

The period-end balances in respect of related parties included in the interim condensed consolidated statement of financial position are as follows:

	<i>Ultimate parent</i>	<i>Major share- holder</i>	<i>Directors</i>	<b>30 June 2017</b>	<i>31 December 2016</i>
Deposits from customers	<b>3,123</b>	<b>700</b>	<b>6</b>	<b>3,829</b>	3,229
Term notes, bonds and other term financing *	<b>1,505</b>	-	-	<b>1,505</b>	2,175
Short-term self-liquidating trade and transaction-related contingent items	<b>355</b>	-	-	<b>355</b>	377

\* Loan from a major shareholder was renewed at the time of maturity as a deposit for two years maturing in June 2019.

The income and expenses in respect of related parties included in the interim condensed consolidated statement of profit or loss are as follows:

	<b>30 June 2017</b>	<i>30 June 2016</i>
Commission income	<b>3</b>	8
Interest expense	<b>37</b>	40

### 7 COMPARATIVE FIGURES

The Group has revised the presentation of its consolidated statement of financial position for 'deposits from banks' and 'deposits from customers' to better represent the category of deposits. Accordingly, deposits from non-banking financial institutions which were previously presented as 'deposits from banks and other financial institutions' in the consolidated statement of financial position have been reclassified into 'deposits from customers', which the management considers to be more relevant. Therefore, prior year comparatives amounting to US\$ 1,036 million as at 31 December 2016 have been reclassified from 'deposits from banks and other financial institutions' to 'deposits from customers'. As at 1 January 2016, US\$ 729 million has also been reclassified from 'deposits from banks and other financial institutions' to 'deposits from customers'.