

نموذج رقم (3-1)

Form No. (1-3)



بنك الإسكان للتجارة والتمويل
The Housing Bank for Trade & Finance

To : Jordan Securities Commission

Amman Stock Market

Date: 30/3/2017

Subject: Annual Report for the Fiscal year ended
31/12/2016

السادة : هيئة الأوراق المالية

السادة : بورصة عمان

التاريخ : 2017/3/30

الموضوع : التقرير السنوي للسنة المنتهية في 2016/12/31

Attached the Annual Report of (The Housing Bank
for Trade and Finance) for the fiscal year ended
31/12/2016.

مرفق طيه نسخة من التقرير السنوي لشركة (بنك الاسكان
للتجارة والتمويل) عن السنة المنتهية في 2016/12/31

Kindly accept high appreciation and respect

وتفضلوا بقبول فائق الاحترام ..

The Housing Bank for Trade and Finance

بنك الاسكان للتجارة والتمويل

Chief Executive Officer : Mr. Ihab Al-Saadi.

توقيع الرئيس التنفيذي : ايهاب السعدي

(Handwritten signature)

 **بنك الإسكان للتجارة والتمويل**
The Housing Bank for Trade & Finance

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بورصة عمان
الدائرة الإدارية والمالية
الديوان
٢٠ آذار ٢٠١٧
الرقم المتسلسل: ١٧٦٧ / ٢٠١٧
رقم الملف: ١١٠٠٤
الجهة المختصة: الكادر



نموذج رقم (2-1)

Form No. (1-2)



بنك الإسكان للتجارة والتمويل
The Housing Bank for Trade & Finance

السادة: هيئة الأوراق المالية

السادة: بورصة عمان

التاريخ: 2017/3/30

الموضوع: البيانات المالية السنوية المدققة للسنة المنتهية في
2016/12/31

To : Jordan Securities Commission

Amman Stock Market

Date: 30/3/2017

Subject: Audited Financial Statements for the Fiscal
year ended 31/12/2016

Attached the Audited Financial Statements of (The
Housing Bank for Trade and Finance) for the fiscal
year ended 31/12/2016.

مرفق طيه نسخة من البيانات المالية المدققة لشركة (بنك
الاسكان للتجارة والتمويل) عن السنة المنتهية في 2016/12/31

Kindly accept high appreciation and respect

وتفضلوا بقبول فائق الاحترام ..

The Housing Bank for Trade and Finance

بنك الاسكان للتجارة والتمويل

Chief Executive Officer : Mr. Ihab Al-Saadi.

Ihab Al-Saadi

توقيع الرئيس التنفيذي : ايهاب السعدي

Ihab Al-Saadi

THE HOUSING BANK FOR TRADE AND FINANCE
A PUBLIC SHAREHOLDING COMPANY
AMMAN – JORDAN
CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of the Housing Bank for Trade & Finance
Public Shareholding Company
Amman - Jordan**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of the **Housing Bank for Trade & Finance** (the Bank), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to consolidated the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2016, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Jordan and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Impairment of loans and advances to customers

Impairment of loans and advances to customers is one of the most significant matters that impact the reported results of the Bank, in addition of being an area that requires a considerable amount of judgment for determining impairment event and the measurement of impairment loss.

Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral, inputs and calculation of specific and collective impairment and determining the default date, and as a result, impairment is calculated from that date. As at 31 December 2016, the gross loans and advances amounted to JD 4,312,935,223 against which accumulated loan loss provision of JD 187,398,643 were recorded.

Our audit procedures included obtaining the non-performing and watch list loans schedules, samples were selected to test impairment which included collateral valuation and assessing the provision required based on the date of default.

We also selected a sample from the performing loans to determine whether management had identified all impairment events.

Disclosures of impairment of loans and advances are detailed in note 8 to the consolidated financial statements.

Suspension of interest on non- performing loans

Interest is suspended after 90 days from impairment event (default date) in accordance with Central Bank of Jordan regulations.

Judgment is applied as to determining when the default date occurred which affects the amount of interest to be suspended.

Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense, and tested suspended interest including recalculation in accordance with CBJ regulations, and assessing the criteria used by management for determining the impairment event.

Disclosures of interest in suspense are detailed in note 8 to the consolidated financial statements.

Valuation of investments in unquoted equities

The valuation of investments in private equities is a complex area that requires the use of models and forecasting of future cash flows including other factors to determine the fair value of the investments. As at 31 December 2016, the unquoted equities amounted to JD 16,926,409.

Our audit procedures included an assessment of the methodology and the appropriateness of the valuation models and inputs used to value the unquoted equities. As part of these audit procedures, we assessed the reasonableness of key inputs used in the valuation such as the expected cash flows, discount rate by benchmarking them with external data.

Disclosures of consolidated financial assets through profit or loss are detailed in note 7 to the consolidated financial statements for the accounting policies not relate to financial assets at fair value through profit or loss which are disclosure in note 2 to the consolidated financial statements.

Impairment testing of indefinite intangible assets – subsidiary banking license in the United Kingdom

Indefinite intangible are required to be tested for impairment annually, which is a complex area that requires estimates and forecasting the future cash flows of the subsidiary (Jordan International Bank).

The carrying value of the intangible asset - Banking license in UK - is contingent on future cash flows and there is risk if these cash flows do not meet the Bank's expectations that the intangible asset will be impaired.

The impairment reviews performed by the Bank contained a number of significant judgements and estimates such as revenue growth and discount rate. Changes in these assumptions might lead to a change in the carrying value of the intangible asset.

Our audit procedures included an assessment of the methodology and the appropriateness of key assumptions. We reviewed management assumptions, including comparing relevant assumptions to industry and economic forecasts. We obtained and evaluated management's sensitivity analyses to ascertain the impact of reasonably possible changes in key assumptions. Disclosures of intangible assets are detailed in note 12 to the consolidated financial statements.

Other information included in The Bank's 2016 Annual Report

Other information consists of the information included in The Bank's 2016 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2016 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonable be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Company maintains proper books of accounts which are in agreement with the consolidated financial statements.

Ernst & Young / Jordan



Mohammad Ibrahim Al- Karaki
License No. 882

Amman – Jordan
26 January 2017

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THE HOUSING BANK FOR TRADE AND FINANCE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016

		2016	2015
	Notes	JD	JD
<u>ASSETS</u>			
Cash and balances with central banks	4	1,052,501,966	1,037,131,493
Balances with banks and financial institutions	5	549,833,560	655,755,916
Deposits with banks and financial institutions	6	22,795,894	24,624,589
Financial assets at fair value through profit or loss	7	21,957,719	22,222,616
Direct credit facilities - net	8	4,042,066,469	3,494,685,820
Financial assets at fair value through other comprehensive income	9	580,524	580,524
Financial assets at amortized cost- net	10	1,791,900,701	2,365,183,490
Property and equipment- net	11	168,524,627	158,572,865
Intangible assets- net	12	24,351,994	24,803,749
Deferred tax assets	19	40,738,707	36,856,464
Other assets	13	104,973,034	102,281,202
Total Assets		7,820,225,195	7,922,698,728
<u>LIABILITIES AND EQUITY</u>			
LIABILITIES			
Banks and financial institutions deposits	14	493,163,142	535,535,925
Customers' deposits	15	5,647,527,093	5,809,753,863
Margin accounts	16	328,901,283	279,108,487
Loans and Borrowings	17	38,338,502	31,030,475
Sundry provisions	18	56,024,369	44,248,423
Income tax provision	19	57,000,430	45,101,562
Deferred tax liabilities	19	2,056,712	2,056,712
Other liabilities	20	137,163,122	136,523,026
Total Liabilities		6,760,174,653	6,883,358,473
<u>Equity</u>			
EQUITY ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS			
Paid-in capital	21	252,000,000	252,000,000
Share premium	21	357,925,469	357,925,469
Statutory reserve	22	189,054,310	172,277,768
Voluntary reserve	22	33,222,068	33,222,068
General banking risks reserve	22	36,101,000	32,401,000
Special reserve	22	7,752,032	7,272,603
Foreign currency translation reserve	23	(110,715,554)	(89,872,167)
Revaluation reserve for financial assets- net	24	(344,677)	(349,012)
Retained earnings	25	247,953,497	225,919,340
Total Equity Attributable to the Bank's Shareholders		1,012,948,145	990,797,069
Non – Controlling Interests		47,102,397	48,543,186
Total Equity		1,060,050,542	1,039,340,255
Total Liabilities and Equity		7,820,225,195	7,922,698,728

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

THE HOUSING BANK FOR TRADE AND FINANCE
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u> <u>JD</u>	<u>2015</u> <u>JD</u>
Interest income	27	361,758,831	382,040,859
Interest expense	28	(91,839,894)	(116,037,812)
Net Interest Income		269,918,937	266,003,047
Net commission income	29	25,160,981	28,343,565
Net Interest and Commission Income		295,079,918	294,346,612
Net gain from foreign currency exchange	30	20,720,472	21,855,415
(Loss) gain from financial assets at fair value through profit or loss	31	(468,179)	(427,873)
Other income	32	49,304,210	30,495,078
Gross Income		364,636,421	346,269,232
Employees expenses	33	74,955,250	71,782,287
Depreciation and amortization	11,12	15,628,444	14,097,233
Other expenses	34	52,165,231	49,007,603
Impairment loss on direct credit facilities	8	12,875,272	20,176,201
Allowance for impairment loss of amortized cost	10	900,000	-
Sundry provisions	18	17,776,093	14,185,792
Total Expenses		174,300,290	169,249,116
Profit before income tax		190,336,131	177,020,116
Income tax expense	19	(59,323,518)	(52,292,082)
Profit for the year		131,012,613	124,728,034
Attributable to:			
Bank's Shareholders		123,787,093	121,768,520
Non-Controlling Interests		7,225,520	2,959,514
		131,012,613	124,728,034
Basic and diluted earnings per share attributable to the Bank's shareholders	35	JD 0.491	JD 0.483

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

THE HOUSING BANK FOR TRADE AND FINANCE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	JD	JD
Profit for the year	131,012,613	124,728,034
Add: Other comprehensive income which will be reclassified to income statement in future periods		
Foreign currency translation adjustments	(28,826,079)	(38,160,538)
Add: Other comprehensive income which will not be reclassified to income statement in future periods		
Change in fair value reserve- net after tax	<u>4,335</u>	<u>(82,958)</u>
Total Other comprehensive income (loss) for the year - Net of tax	<u>(28,821,744)</u>	<u>(38,243,496)</u>
Total comprehensive income for the year	<u>102,190,869</u>	<u>86,484,538</u>
Attributable to:		
Bank's shareholders	102,948,041	94,144,948
Non-controlling interests	<u>(757,172)</u>	<u>(7,660,410)</u>
	<u>102,190,869</u>	<u>86,484,538</u>

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

**THE HOUSING BANK FOR TRADE AND FINANCE
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Equity Attributable to the Bank's Shareholders											Total Equity JD
	Reserves											
	Paid- in Capital JD	Share Premium JD	Statutory JD	Voluntary JD	Special JD	General Banking Risks JD	Foreign Currency Translation Reserve JD	Revaluation Reserve for Financial Assets JD	Retained Earnings JD	Total Equity Attributable to the Bank's Shareholders JD	Non- Controlling Interests JD	
2016												
Balance beginning of the year	252,000,000	357,925,469	172,277,768	33,222,068	7,272,603	32,401,000	(89,872,167)	(349,012)	225,919,340	990,797,069	48,543,186	1,039,340,255
Total comprehensive income for the year	-	-	-	-	-	-	(20,843,387)	4,335	123,767,093	102,948,041	(757,172)	102,190,869
Transfer to / from reserves	-	-	16,776,542	-	479,429	3,700,000	-	-	(20,955,971)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(80,640,000)	(80,640,000)	(738,435)	(81,378,435)
Others	-	-	-	-	-	-	-	-	(156,965)	(156,965)	54,818	(102,147)
Balance - End of the Year	252,000,000	357,925,469	189,054,310	33,222,068	7,752,032	36,101,000	(110,715,554)	(344,677)	247,953,497	1,012,948,145	47,102,397	1,060,050,542
2015												
Balance beginning of the year	252,000,000	357,925,469	155,006,478	33,222,068	6,426,421	29,101,000	(62,331,553)	(266,054)	213,731,123	984,814,952	53,583,177	1,038,398,129
Total comprehensive income for the year	-	-	-	-	-	-	(27,540,614)	(82,958)	121,768,520	94,144,948	(7,660,410)	86,484,538
Increase in paid capital	-	-	-	-	-	-	-	-	-	-	2,630,980	2,630,980
Transfer to / from reserves	-	-	17,271,290	-	846,182	3,300,000	-	-	(21,417,472)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(88,200,000)	(88,200,000)	-	(88,200,000)
Others	-	-	-	-	-	-	-	-	37,169	37,169	(10,561)	26,608
Balance - End of the Year	252,000,000	357,925,469	172,277,768	33,222,068	7,272,603	32,401,000	(89,872,167)	(349,012)	225,919,340	990,797,069	48,543,186	1,039,340,255

- The general banking risks reserve and the negative balance of the revaluation of the financial assets reserve is a restricted reserve that cannot be utilized without the approval of the Central Bank of Jordan.

- The Bank cannot use a restricted amount of JD 5,655,417 which represents the unrealized gains on financial assets through profit or loss according to the regulations of Jordan Securities Commission.

- The balance of retained earnings includes JD 127,299 which represents the effect of early application of International Financial Reporting Standard No. (9) and this amount is restricted from use except for the amounts that become realized as per Central Bank of Jordan Regulations.

- The Bank cannot use a restricted amount of JD 40,738,707 from the retained earnings, which represents deferred taxes and the amount of JD 344,677 represent a negative change of financial assets at fair value through Comprehensive income. These amounts, cannot be used for capitalization or distribution except for the amounts actually realized according to the Central Bank of Jordan Regulations and Jordan Securities commission.

- The Bank cannot use a restricted amount of JD 14,789,466 which represents foreign currency revaluation gain at the International Bank of Trade and Finance in Syria.

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

THE HOUSING BANK FOR TRADE AND FINANCE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
		<u>JD</u>	<u>JD</u>
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		190,336,131	177,020,116
Adjustments for non - cash items:			
Depreciation and amortization		15,628,444	14,097,233
Impairment loss on direct credit facilities		12,875,272	20,176,201
Unrealized (losses) on financial assets at fair value through profit or loss		648,647	664,028
End-of-service indemnity expense		3,821,582	3,148,794
Premium and discount amortization		952,161	184,394
Net accrued interest and commission income		1,318,605	10,992,310
Dividend from financial assets at fair value through profit and loss		-	(260,951)
Effect of change in exchange rates on cash and cash equivalents		(19,334,876)	(20,218,336)
Others		19,132,316	14,715,851
Cash Flows from Operating Activities before Changes in Assets and Liabilities		225,378,282	220,519,640
Decrease (Increase) in Assets			
Deposits with central banks (maturing after more than 3 months)		56,600,000	6,800,000
Deposits with banks and financial institutions (maturing after more than 3 months)		1,828,695	(1,477,028)
Direct credit facilities		(549,379,178)	(816,312,888)
Financial assets at fair value through profit or loss		(383,750)	540,827
Other assets		(13,428,865)	(7,488,408)
Increase (Decrease) in Liabilities			
Banks and financial institutions deposits (maturing after more than 3 months)		(47,196,936)	(52,348,979)
Customers' deposits		(162,226,770)	349,857,184
Margin accounts		49,792,796	41,647,609
Other liabilities		9,319,845	(18,349,707)
Miscellaneous provisions		(5,632,925)	(6,007,645)
Net Cash Flows used in Operating Activities before Income Tax Paid		(435,328,806)	(282,619,395)
Income tax paid		(51,345,650)	(52,080,998)
Net Cash Flows used in Operating Activities		(486,674,456)	(334,700,393)
<u>INVESTING ACTIVITIES</u>			
(Purchase) of financial assets at amortized cost		(657,077,207)	(572,264,857)
Maturity of financial assets at amortized cost		1,228,952,417	599,232,651
(Purchase) of property and equipment - net		(26,532,350)	(31,676,630)
Sale of property and equipment - net		3,554,702	569,095
(Purchase) of intangible assets		(3,734,647)	(4,335,463)
Net Cash Flows from (used in) Investing Activities		545,162,915	(8,475,204)
<u>FINANCING ACTIVITIES</u>			
Loans and borrowings		7,308,027	9,332,047
Dividends paid		(80,568,933)	(88,162,396)
Non-controlling interests - net		(738,435)	2,620,419
Net Cash Flows (used in) Financing Activities		(73,999,341)	(76,209,930)
Net (Decrease) Increase in Cash and Cash Equivalents		(15,510,882)	(419,385,527)
Effect of change in exchange rate on cash and cash equivalents		(23,265,154)	1,089,745
Cash and cash equivalents - beginning of the year		1,211,733,149	1,630,028,931
Cash and Cash Equivalents - End of the Year	36	1,172,957,113	1,211,733,149

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

1- GENERAL

The Housing Bank for Trade and Finance "the Bank" was established in 1973 and registered as a public shareholding company with its headquarters in Amman - Jordan in accordance with the Jordanian Companies Law 12 of 1964.

The Bank is engaged in all banking and financial activities through its headquarter in Amman and its branches in Jordan (130 branches) and abroad; Palestine and Bahrain (14 branches) and through its subsidiaries in Jordan, Syria, Algeria, and the UK.

The Bank's shares are traded on Amman Stock Exchange.

The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No.(2/1/2017) dated 26 January 2017. These consolidated financial statements are subject to the approval of the General Assembly of Shareholders.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee arising from the International Accounting Standards Committee and in conformity with the local applicable laws and regulations and the regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are presented at fair value as of the date of the consolidated financial statements. Moreover, financial assets and financial liabilities hedged against the risk of fluctuation in their value are stated at fair value.

The consolidated financial statements have been presented in Jordanian Dinar (JD) which is the functional currency of the Bank.

Changes in accounting policies:

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the followings:

Equity Method in Separate Financial Statements (Amendments to IAS 27 and IFRS 1)

In August 2014, the IASB amended IAS 27 Separate Financial Statements which restore the option for entities, in the separate financial statements, to account for investments in subsidiaries, associates and joint ventures using the equity method as described in IAS 28 Investments in Associates and Joint Ventures. A consequential amendment was also made to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 allows a first-time adopter accounting for investments in the separate financial statements using the equity method, to apply the IFRS 1 exemption for past business combinations to the acquisition of the investment.

IAS 1 *Presentation of Financial Statements – Amendments to IAS 1*

The amendments to IAS 1 include narrow-focus improvements related to :

- Materiality
- Disaggregation and subtotals
- Notes structure
- Disclosure of accounting policies
- Presentation of items of other comprehensive income (OCI) arising from equity accounted investments

Investment entities (Amendments to IFRS 10 and IAS 28)

The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

- The exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Application of the equity method by a non-investment entity that has an interest in an associate or joint venture that is an investment entity: The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

Amendments to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortization*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Amendments to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation .

The implementation of the new amendments did not have impact on the Bank's financial position or performance and became effective for annual periods which started from 1 January 2016.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries where the Bank holds control over the subsidiaries. The control exists when the Bank controls the subsidiaries significant and relevant activities and is exposed, or has rights, to variable returns from its involvement with the subsidiaries and has the ability to affect those returns through its power over the subsidiaries. All balances, transactions, income, and expenses between the Bank and subsidiaries are eliminated.

A. Foreign subsidiaries

- International Bank for Trade and Finance / Syria (paid-in capital Syrian Lira 5.25 billion, of which the Bank owns 49.063% as of 31 December 2016). The Bank has the power to control the administrative and financial policies of this bank. Therefore, its financial statements have been consolidated with the financial statements of the Bank. The main objective of this bank is to conduct commercial banking activities, and the ownership of this bank dates back to 2003. In addition, the International Bank for Trade and Finance has a subsidiary – The International Financial Center/ Syria with an ownership percentage of 85% of the company's capital amounting to 100 Million SYL, whereas the Housing Bank for Trade and Finance owns a percentage of 5% of the company's capital.
- The Housing Bank for Trade and Finance – Algeria: an ownership ratio of 85%) of the bank's capital of 10 Billion Algerian Dinars, The main objective of this bank is to conduct commercial banking activities and the ownership of this bank dates back to 2002.
- Bank of Jordan International / London: The ownership is 75% of the paid-up capital which amounted to 65 million Pounds (65 million shares), par value £ 1 per share as of December 2015, the main objective of the bank is to conduct banking activities.

B. Local subsidiaries

- International Financial Center Company- Jordan (paid-in capital JD 5 million, of which the Bank owns 77.5% as of 31 December 2016). The Company's main activity is financial brokerage in local and foreign markets, and conducts purchase and sale transactions of financial instruments for customers and for the company. The Bank ownership in this company dates back to 1998.
- Specialized Lease Finance Company - Jordan, of which the Bank owns 100% of paid- in capital of JD 30 million as of 31 December 2016. The Company's main activity is finance leases of various equipment and machinery in addition to real estate, land, and vehicles and other items that are purchased by the company for finance lease purposes and the Bank ownership in this company dates back to 2005.
- Jordan Real Estate Investments Company - Jordan. The Bank owns 100% of this company's paid- in capital of JD 40,000 as of 31 December 2016. The company's main activity is to manage non - banking services personnel, and the Bank ownership in this company dates back to 1997.
- The financial statements of the subsidiaries are prepared for the same reporting period as the Bank and the same accounting policies, if different policies are adopted then adjustments are done to the subsidiaries financial statements to be in line with the Bank's policies.
- The results of operations of the subsidiaries are consolidated in the consolidated income statement from the acquisition date which is the date on which control over the subsidiaries is transferred to the Bank. The results of operations of the disposed of subsidiaries are consolidated in the consolidated income statement up to the disposal date which is the date of the Bank loses control over the subsidiaries.
- Non-controlling interests represent the portion of equity in the subsidiaries owned by others.

Segment Information

Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors (measured in accordance with the reports sent to the operations management and decision makers in the bank).

Geographical sector relates to providing of products or services in a specific economic environment subject to risk and returns different from those of sectors functioning in other economic environments.

Financial assets at amortized cost:

- Financial assets that the banks management aims, according to its business model to hold the assets to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amounts.
- Debt instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective interest rate method less allowance for impairment. The losses arising from impairment are recognized in the income statement.
- The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards. If these assets are sold before maturity date, gain or loss from sale is recorded in a separate line item within the income statement and disclosing it in accordance with the requirements of International Financial Reporting Standards.

Financial assets at fair value through profit or loss:

- Financial assets which are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.
- Financial instruments at fair value through profit or loss are initially measured at fair value, transaction costs are recorded in the income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the income statement. When these assets or portion of these assets are sold, the gain or loss arising is recorded in the income statement.
- Dividend and interest income are recorded in the income statement.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards.

Financial assets at fair value through other comprehensive income

- Equity investments that are not held for sale in the near future.
- These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value through other comprehensive income reserve to retained earnings.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards.
- These financial assets are not subject to impairment testing.
- Dividend income is recognized in the statement of income in a separate item.

Direct Credit Facilities

Direct credit facilities are financial assets with fixed or determinable payments which are provided basically by the Bank or have been acquired and has no market price in the active markets. The credit facilities are measured at amortized cost.

Provision for impairment of direct credit facilities is recognized when there is an objective event occurring after the initial recognition of the facility, that has a negative impact on the estimated future cash flows of the facilities and that can be reliably estimated. The impairment is charged to the consolidated income statement.

Interest and commission on non-performing facilities are suspended when loans become impaired according to the regulations of the Central Bank of Jordan, or in accordance with the instructions regulatory authorities in the countries where the bank has branches or subsidiaries, which ever is greater.

Loans and the related provision for impairment are written off when collection procedures become ineffective by deduction from the booked provision. The excess in the allowance of possible loan losses, if any, is transferred to the consolidated income statement , and cash recoveries of loans previously written off are credited to income.

Fair Value

The closing prices (purchase of assets/ sale of liabilities) on the date of financial statements in active markets represent the fair value for the financial instruments and derivatives which have market price.

For some financial instruments and derivatives that do not have quoted market prices or absence of active trading the fair value is determined in several ways, including:

- Comparing the current market value of a financial instrument similar to a large extent
- Analysis of future cash flows and discounting the expected cash flows using rate used in similar financial instrument.
- The long-term interest free financial assets and liabilities are carried at the amortized cost using effective interest method, and discounts / premiums amortization are included in finance income / expense in the consolidated income statement.

The valuation method aims to reflect market expectations and expected risks and rewards when estimating the fair value. Where the fair value of an investment cannot be reliably measured, it is stated at cost and any impairment in the value is recorded in the income statement

Impairment of Financial Assets

Assessment is made at the date of the consolidated of the statement of financial position to determine whether there is objective evidence that a specific financial asset is impaired individually or as a group. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

Impairment is determined as follows:

- For financial assets carried at amortized cost: impairment is the difference between the carrying value and the estimated cash flows discounted at the original effective interest rate.

Impairment is recognized in the consolidated income statement. Any subsequent recovery of a previously recorded impairment of debt instruments is recoded in the income statement.

Property and Equipment

Property and equipment are measured at cost less accumulated depreciation and any impairment. Property and equipment (except land) are depreciated when ready for use using the straight line method over its expected useful life.

The depreciation rates used are as follows:

	<u>%</u>
Buildings	2
Equipment, furniture and fixtures	5-15
Vehicles	20
Computer	10-33

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is charged to the income statement.

Useful life of property and equipment is reviewed at each year end, changes in the expected useful life are treated as changes in accounting estimates.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Loans and Borrowings

All loans are initially recognized at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method.

Provisions

Provisions are recognized when the Bank has an obligation at the date of the consolidated statement of financial position arising from a past event and the costs to settle the obligation are both probable and can be reliably measured.

End-of-Service Indemnity

Provision for end-of-service indemnity is booked by the Bank for any legal or contractual obligations at the end of the employees' services according to the accumulated service terms at the date of the consolidated statement of financial position and the Bank's internal policies.

Income Tax

Tax expense comprises of current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non-deductible expenses which may be exempted in the current or subsequent financial years, or accumulated losses that are tax acceptable or items not subject to deduction for tax purposes.

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is the tax expected to be paid or recovered due to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled, based on the laws enacted or substantially enacted at the date of the consolidated statement of financial position.

The carrying values of deferred tax assets are reviewed at the date of the consolidated financial statement and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Offsetting

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position, when there is a legally enforceable right to offset the recognized amounts and the Bank intends to either settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Revenue and Expense Recognition

Interest income is recorded using the effective interest rate method except for fees and interest on non-performing facilities, for which interest is transferred to the interest in suspense account and not recognized in the consolidated income statement.

Expenses are recognized on an accrual basis.

Commission income is recognized upon the rendering of services. Dividend income is recognized when earned (when approved by the General Assembly).

Paid in Capital

Cost of Issuing and Purchasing Paid-in Capital

Cost of issuing paid-in capital and costs of purchasing treasury shares are recorded in retained earnings (net of tax). If such issuance and purchase are not completed, the related cost is recognized in the income statement.

Fiduciary Assets

Assets held in a fiduciary capacity are not recognized as assets of the Bank. Fees and commissions received for administering such assets are recognized in the income statement. A provision is recognized for the decreases in the fair value of guaranteed fiduciary assets below their original principal amount.

Recognition Date of Financial Assets

Purchases and sales of financial assets are recognized on the trading date, i.e. the date on which the Bank commits to purchase or sell the financial asset.

Derivative Financial Instruments

Derivative financial instruments held for trading

Derivative financial instruments held for trading, such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options and others, are recorded at fair value in the consolidated statement of financial position. Fair value is determined by reference to current market prices. In case such prices were not available, the method of valuation is stated, and changes in fair value are transferred to the consolidated income statement.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements due to the Bank's control of these assets and the fact that continuing exposure to the risks and rewards of these assets remains with the Bank and continue to be evaluated in accordance with applied accounting policies (where the buyer has the right to use these assets (sell or re-lien) they are reclassified as liened financial assets). The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

Assets purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the Bank's consolidated financial statements since the Bank is not able to control these assets or the associated risks and benefits. The related payments are recognized as part of deposits at banks and financial institutions or direct credit facilities as applicable, and the difference between purchase and resale price is recognized as interest income over the agreement term using the effective interest rate method.

Mortgaged Financial Assets

These financial assets are mortgaged to third parties with the right to sell or re-mortgage. These financial assets are revalued according to the accounting policies at the date of initial classification.

Assets Seized by the Bank

Assets seized by the Bank through calling upon collateral are shown in the consolidated statement of financial position under "other assets" at the lower of their carrying value or fair value. These assets are revalued at the date of the consolidated financial statements on an individual basis and losses from impairment are transferred directly to the consolidated income statement, while revaluation gains are not recognized as income. Reversal of previous impairment losses shall not result in a carrying value that exceeds the carrying amount that would have been determined had no impairment been charged to the consolidated income statement and loss been recognized for the asset in prior years.

Intangible Assets

a) Goodwill

- Goodwill is initially measured at cost; being the excess of the cost of acquisition or purchase of investment in an associate or subsidiary company over the Bank's share in the net fair value of the identifiable assets at the date of acquisition. Goodwill arising from the investment in subsidiaries will be separately shown under intangible assets, while that arising from the investment in associates will be shown as part of investment in associates and subsequently adjusted for any impairment losses.
- Goodwill is allocated to each of the Bank's cash-generating units, or groups of cash-generating units for the purpose of impairment testing.
- Goodwill is reviewed for impairment, at the date of the consolidated of financial statements, if events or changes in circumstances indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount, impairment losses are charged to the consolidated income statement.

b) Other intangible assets

- Intangible assets acquired through business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.
- Intangible assets are classified based on the assessment of their useful life to definite and indefinite. Intangible assets with definite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and impairment loss is charged to the consolidated income statement.
- Internally generated intangible assets are not capitalized and are expensed in the consolidated income statement.
- Indications of impairment of intangible assets are reviewed and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.
- Other intangible assets consist of computer software that are amortized using the straight -line method over 3 years.

Foreign currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.

Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the date of the consolidated statement of financial position and declared by the Central Bank of Jordan.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.

Gains or losses resulting from foreign currency translation are charged to the consolidated income statement.

Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as equity securities) are recorded as part of the change in fair value.

When consolidating the financial statements, the assets and liabilities of foreign branches and subsidiaries are translated into the functional currency of each entity at the average exchange rates of the Central Bank of Jordan prevailing at the date of the consolidated statement of financial position. Income and expense items are translated at the average exchange rates for the year. Any exchange differences are taken directly to a foreign currency translation reserve within comprehensive income statement and shareholders' equity. Exchange differences arising from the sale of foreign branches or subsidiaries are recorded as part of the revenues or expenses within the income statement.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances.

3- USE OF ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets and liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues and expenses and the resultant provisions as well as fair value changes reported in shareholder equity. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty. Furthermore, actual results may differ resulting in future changes in such provisions.

The Bank's management believe that the consolidated financial statements estimates are reasonable. The details of these estimates are as follows:

- Provision for impairment in direct credit facilities: The Bank reviews its credit facilities according to the regulations of the Central Bank of Jordan as a minimum reference and according to International Financial Reporting Standards as well.
- Impairment losses on repossessed assets are determined based on the appraisal reports prepared by certified appraisers and are reviewed periodically.
- Management periodically re-evaluates the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and the general status of these assets. Any related impairment is charged to the consolidated income statement.
- The income tax provision is calculated based on the prevailing laws and regulations and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the related provisions are recorded.
- Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.
- End of service indemnity provision for the employees is calculated based on the labor law, and bank regulations.

4- CASH AND BALANCES WITH CENTRAL BANKS

This item consists of the following:

	2016	2015
	JD	JD
Cash in treasury	140,110,223	143,728,927
Balances at central banks:		
Current accounts and demand deposits	270,739,706	232,941,792
Term and notice deposits	22,477,707	112,527,377
Statutory cash reserve	310,974,330	334,633,397
Certificates of deposit *	308,200,000	213,300,000
Total	1,052,501,966	1,037,131,493

- Except for the statutory cash reserve at Central Banks and regulatory authorities, there are no restricted balances.

- * There are no certificate of deposits purchased from the Central Bank of Jordan maturing within a period of three months as of 31 December 2016 (JD 56,000,000 as of 31 December 2015).

5- BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	27,151,923	7,657,969	147,169,208	161,564,433	174,321,131	169,222,402
Deposits maturing within or less than 3 months	65,012,349	92,025,606	310,500,080	394,507,908	375,512,429	486,533,514
Total	92,164,272	99,683,575	457,669,288	556,072,341	549,833,560	655,755,916

- Non-interest bearing balances at banks and financial institutions amounted to JD 53,374,553 as of 31 December 2016 (JD 32,827,292 as of 31 December 2015).

- No restricted balances as of 31 December 2016 and 2015.

6- DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Deposits Maturing						
3 to 6 months	5,000,000	5,000,000	5,401,679	1,908,969	10,401,679	6,908,969
6 to 9 months	10,000,000	10,000,000	-	7,715,620	10,000,000	17,715,620
9 to 12 months	-	-	1,898,106	-	1,898,106	-
More than 1 year	-	-	496,109	-	496,109	-
Total	15,000,000	15,000,000	7,795,894	9,624,589	22,795,894	24,624,589

- There are no restricted deposits as of 31 December 2016 and 2015.

7- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	2016 JD	2015 JD
Quoted Financial Assets:		
Governmental guaranteed bonds	-	856,454
Corporate shares	4,527,926	4,283,772
Corporate bonds and debentures	503,384	155,981
Total Quoted Financial Assets	5,031,310	5,296,207
Unquoted Financial Assets :		
Corporate shares	16,926,409	16,926,409
Total Unquoted Financial Assets	16,926,409	16,926,409
Total	21,957,719	22,222,616
Analysis of debt instruments :		
Fixed rate return	503,384	1,012,435
Total	503,384	1,012,435

8- DIRECT CREDIT FACILITIES – NET

This item consists of the following:

	2016	2015
	JD	JD
Retail Customers :		
Overdrafts	8,527,129	9,906,516
Loans and discounted bills *	669,602,931	571,823,469
Credit cards	11,687,075	11,318,663
Real Estate Mortgages	1,135,348,105	1,003,871,813
Includes:		
Housing loans	758,115,858	637,448,745
Corporate entities:		
Corporate Customers		
Overdrafts	224,457,298	171,774,322
Loans and discounted bills *	1,009,572,377	864,626,043
SMEs		
Overdraft	123,598,130	79,944,899
Loans and discounted bills *	224,597,326	209,450,729
Governmental and public sector	905,544,852	854,464,955
Total	4,312,935,223	3,777,181,409
Less: Allowance for impairment in direct credit facilities	(187,398,643)	(197,063,364)
Suspended interest	(83,470,111)	(85,432,225)
Net Direct Credit Facilities	4,042,066,469	3,494,685,820

* Net of interest and commission received in advance amounting to JD 20,481,628 as of 31 December 2016 (JD 20,246,298 as of 31 December 2015).

- Non-performing credit facilities amounted to JD 238,448,286 representing (5.53%) of total direct credit facilities as of 31 December 2016 (JD 260,627,050 representing (6.90%) as of 31 December 2015).

- Non-performing credit facilities net of interest in suspense amounted to JD 156,165,690 representing (3.69%) of total direct credit facilities net of interest in suspense as of 31 December 2016 (JD 176,560,046 representing (4.8%) as of 31 December 2015).

- Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 730,764,706 representing (16.94%) of total direct credit facilities as of 31 December 2016 (JD 744,808,550 representing (19.72%) as of 31 December 2015).

Allowance for impairment in direct credit facilities

The movement on the allowance for impairment in direct credit facilities is as follows:

	Corporate entities				Total JD
	Retail	Real Estate Mortgages	Corporate	SMEs	
	JD	JD	JD	JD	
2016 -					
Balance – beginning of the year	16,689,360	12,467,972	144,279,565	23,626,467	197,063,364
Allowance for the year	1,429,010	441,936	7,360,992	3,643,334	12,875,272
Amounts written off	(84,912)	(10,994)	(14,281,070)	(108,520)	(14,485,496)
Currency translation	(155,056)	(51,580)	(6,633,961)	(1,213,900)	(8,054,497)
Balance – End of the Year	17,878,402	12,847,334	130,725,526	25,947,381	187,398,643
Allowance for impairment	16,711,115	12,213,185	124,056,010	25,670,256	178,650,566
Watch list allowance	1,167,287	634,149	6,669,516	277,125	8,748,077
	17,878,402	12,847,334	130,725,526	25,947,381	187,398,643
2015 -					
Balance – beginning of the year	14,727,225	12,911,773	138,853,923	24,907,860	191,400,781
Allowance for the year	2,232,234	(354,676)	15,447,967	2,850,676	20,176,201
Amounts written off	(30,735)	(63,421)	(77,203)	(3,088)	(174,447)
Currency translation	(239,364)	(25,704)	(9,945,122)	(4,128,981)	(14,339,171)
Balance – End of the Year	16,689,360	12,467,972	144,279,565	23,626,467	197,063,364
Allowance for impairment	15,329,578	11,808,618	142,300,800	23,524,058	192,963,054
Watch list allowance	1,359,782	659,354	1,978,765	102,409	4,100,310
	16,689,360	12,467,972	144,279,565	23,626,467	197,063,364

- The surplus in allowance which was due to settlements or debt repayments and was transferred against other debts, amounted to JD 16,847,912 as of 31 December 2016 (JD 12,656,123 as of 31 December 2015).

Interest in suspense

The movement on the interest in suspense is as follows:

	CORPORATE ENTITIES				Total JD
	Retail	Real Estate Mortgages	Corporate	SMEs	
	JD	JD	JD	JD	
2016 -					
Balance – beginning of the year	11,503,121	11,256,585	49,250,880	13,421,639	85,432,225
Add: Suspended interest during the year	2,811,781	3,367,371	12,512,738	4,724,572	23,416,462
Less: Interest transferred to income	(1,075,701)	(1,706,065)	(6,480,964)	(2,671,222)	(11,933,952)
Interest in suspense written off	(398,171)	(657,584)	(9,345,215)	(209,878)	(10,610,848)
Currency translation	(13,703)	(10,237)	(2,326,352)	(483,484)	(2,833,776)
Balance – End of the Year	12,827,327	12,250,070	43,611,087	14,781,627	83,470,111
2015 -					
Balance – beginning of the year	9,507,132	10,366,860	39,919,704	11,090,277	70,883,973
Add: Suspended interest during the year	3,185,819	3,320,137	15,408,224	6,384,046	28,298,226
Less: Interest transferred to income	(885,218)	(1,838,647)	(3,225,086)	(2,792,211)	(8,741,162)
Interest in suspense written off	(266,817)	(576,188)	(111,659)	(414,074)	(1,368,738)
Currency translation	(37,795)	(15,577)	(2,740,303)	(846,399)	(3,640,074)
Balance – End of the Year	11,503,121	11,256,585	49,250,880	13,421,639	85,432,225

9- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Unquoted shares	580,524	580,524
Total	580,524	580,524

10- FINANCIAL ASSETS AT AMORTIZED COST

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Quoted Financial Assets:		
Treasury bonds	1,231,180,272	1,748,601,705
Governmental guaranteed bonds and bills	420,814,332	455,673,751
Corporate bonds and debentures	137,156,097	157,258,033
Total Quoted Financial Assets	1,789,150,701	2,361,533,489
Unquoted Financial Assets :		
Corporate bonds and debentures	8,422,500	8,422,501
Allowance for impairment loss	(5,672,500)	(4,772,500)
Total Unquoted Financial Assets	2,750,000	3,650,001
Total	1,791,900,701	2,365,183,490
Analysis of debt instruments :		
Fixed rate return	1,749,096,217	2,308,296,851
Variable rate return	42,804,484	56,886,639
Total	1,791,900,701	2,365,183,490

- The bonds mature on several batches in which the last mature in 2050.
- The bonds average annual interest rate range between 1.08% to 8.25% per year.

Following is a summary on the movement of the allowance for impairment loss of financial assets at amortized cost:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Balance – beginning of the year	4,772,500	4,772,500
Additions	900,000	-
Disposals	-	-
Balance – end of the year	5,672,500	4,772,500

11- PROPERTY AND EQUIPMENT - NET

This item consists of the following:

	Lands	Buildings	Equipment, Furniture and Fixtures	Vehicles	Computers Hardware	Total
	JD	JD	JD	JD	JD	JD
2016 -						
Cost:						
Balance – beginning of the year	27,306,116	25,408,831	84,850,322	2,089,955	37,437,837	177,093,061
Additions	331,000	2,479,256	8,779,028	895,429	3,332,931	15,817,644
Disposals	-	(105,812)	(4,505,917)	(163,134)	(2,491,542)	(7,266,405)
Foreign currency exchange differences	(144,933)	(1,370,891)	(620,755)	(22,658)	(213,135)	(2,372,372)
Balance – end of the year	27,492,183	26,411,384	88,502,678	2,799,592	38,066,091	183,271,928
Accumulated Depreciation :						
Balance- beginning of the year	-	7,112,595	63,406,351	1,529,580	28,968,908	101,017,434
Annual depreciation	-	556,053	6,846,896	321,406	3,717,887	11,442,042
Disposals	-	(33,618)	(2,034,175)	(91,115)	(1,623,084)	(3,781,992)
Foreign currency exchange differences	-	(260,724)	(285,338)	(20,985)	(151,192)	(718,239)
Balance – end of the year	-	7,374,306	67,933,534	1,738,886	30,912,519	107,959,245
Net book value of property and equipment	27,492,183	19,037,078	20,569,144	1,060,706	7,153,572	75,312,683
Payments on purchased property and equipment	-	-	2,026,365	-	73,989	2,100,354
Projects under construction	-	91,064,784	46,806	-	-	91,111,590
Net Book Value – end of the year	27,492,183	110,101,862	22,642,315	1,060,706	7,227,561	168,524,627
2015 -						
Cost:						
Balance – beginning of the year	26,256,755	28,084,906	81,586,195	1,688,826	33,879,245	171,495,927
Additions	1,504,279	267,220	7,149,988	467,328	4,756,997	14,145,812
Disposals	-	-	(2,449,860)	(12,663)	(744,345)	(3,206,868)
Foreign currency exchange differences	(454,918)	(2,943,295)	(1,436,001)	(53,536)	(454,060)	(5,341,810)
Balance – end of the year	27,306,116	25,408,831	84,850,322	2,089,955	37,437,837	177,093,061
Accumulated Depreciation :						
Balance- beginning of the year	-	6,998,374	59,317,539	1,283,956	26,957,697	94,557,566
Annual depreciation	-	565,070	6,977,596	295,413	3,015,883	10,853,962
Disposals	-	-	(2,016,947)	(12,663)	(660,311)	(2,689,921)
Foreign currency exchange differences	-	(450,849)	(871,837)	(37,126)	(344,361)	(1,704,173)
Balance – end of the year	-	7,112,595	63,406,351	1,529,580	28,968,908	101,017,434
Net book value of property and equipment	27,306,116	18,296,236	21,443,971	560,375	8,468,929	76,075,627
Payments on purchased property and equipment	-	-	2,650,207	-	28,832	2,679,039
Projects under construction	-	79,789,575	28,624	-	-	79,818,199
Net Book Value – end of the year	27,306,116	98,085,811	24,122,802	560,375	8,497,761	158,572,865

Property and equipment include fully depreciated assets amounted to JD 49,789,780 as of 31 December 2016 (JD 47,323,098 as of 31 December 2015).

Contractual commitments related to payments on purchases of property and equipment and projects under construction are included in Note (46) including the remaining estimated cost for projects under construction.

12- INTANGIBLE ASSETS

This item consists of the following:

	2016				2015			
	Goodwill *	Computer Software	Other**	Total	Goodwill *	Computer Software	Other**	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Beginning Balance	358,397	19,240,191	5,205,161	24,803,749	358,397	18,147,999	5,205,161	23,711,557
Additions ***	-	3,734,647	-	3,734,647	-	4,335,463	-	4,335,463
Amortization for the year	-	(4,186,402)	-	(4,186,402)	-	(3,243,271)	-	(3,243,271)
Ending Balance	358,397	18,788,436	5,205,161	24,351,994	358,397	19,240,191	5,205,161	24,803,749

* Goodwill was tested for impairment and no impairment was identified.

** This item represents the license for conducting banking activities from the acquisition of 75% of Jordan International Bank. The licence for conducting business was identified as having an indefinite life and its impairment was tested and no impairment was identified as of 31 December 2016.

*** The additions on computer software amounts to JD 3,734,647 as of 31 December 2016 (JD 4,335,463 as of 31 December 2015), representing payments on account for purchase of computer software.

13- OTHER ASSETS

This item consists of the following:

	2016 JD	2015 JD
Accrued revenues and interest	21,556,380	31,625,801
Prepaid expenses	5,071,901	4,390,752
Assets seized by the Bank*	31,755,660	26,509,590
Assets seized by the Bank with customer right to recover	6,950,568	8,582,280
Cheques under collection	30,219,583	18,698,326
Other	9,418,942	12,474,453
Total	104,973,034	102,281,202

* The regulations of Central Bank of Jordan require the disposal of the seized assets by the bank during a maximum period of two years from the date of the acquisition.

**Includes real estate and shares with customer right to repurchase within a period of three years at cost plus agreed interest.

The movement on assets seized by the Bank is as follows:

	2016 JD	2015 JD
Beginning Balance	35,091,870	31,697,090
Additions	12,198,317	8,513,779
Disposals	(7,576,891)	(4,548,103)
Impairment	(1,007,068)	(570,896)
Currency translation	-	-
Ending Balance	38,706,228	35,091,870

14- BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

This item consists of the following:

	31 December 2016			31 December 2015		
	Inside	Outside	Total	Inside	Outside	Total
	Jordan	Jordan		Jordan	Jordan	
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	11,368,592	94,068,442	105,437,034	27,332,427	134,983,959	162,316,386
Deposits due within 3 months	85,035,205	238,906,174	323,941,379	1,589	262,236,285	262,237,874
Deposits due within 3- 6months	31,330,468	-	31,330,468	68,600,000	24,893,083	93,493,083
Deposits due within 6 - 9 months	15,000,000	-	15,000,000	-	4,228,082	4,228,082
Deposits due within 9 - 12 months	-	-	-	-	2,750,300	2,750,300
More than one year	8,772,561	8,681,700	17,454,261	-	10,510,200	10,510,200
Total	151,506,826	341,656,316	493,163,142	95,934,016	439,601,909	535,535,925

15- CUSTOMERS' DEPOSITS

This item consists of the following:

				Government and Public Sector	
	Retail	Corporate	SMEs	Sector	Total
	JD	JD	JD	JD	JD
31 December 2016					
Current accounts and demand deposits	766,725,957	141,544,329	368,067,193	170,738,799	1,447,076,278
Saving deposits	1,956,705,148	1,106,415	13,850,420	974,644	1,972,636,627
Time and notice deposits	1,401,268,206	361,580,765	90,271,532	232,060,347	2,085,180,850
Certificates of deposit	142,097,664	-	95,940	-	142,193,604
Others	439,734	-	-	-	439,734
Total	4,267,236,709	504,231,509	472,285,085	403,773,790	5,647,527,093
31 December 2015					
Current accounts and demand deposits	838,147,429	96,203,988	411,237,296	77,508,698	1,423,097,411
Saving deposits	1,749,803,667	2,505,207	14,866,856	313,431	1,767,489,161
Time and notice deposits	1,389,013,224	556,146,552	75,837,784	468,448,679	2,489,446,239
Certificates of deposit	122,938,280	-	6,334,431	-	129,272,711
Others	448,341	-	-	-	448,341
Total	4,100,350,941	654,855,747	508,276,367	546,270,808	5,809,753,863

- The deposits of the public sector and the government of Jordan inside Jordan amounted to JD 389 million, representing (6.9%) of total deposits as of 31 December 2016 (JD 539 million, representing (9.3%) of total deposits as of 31 December 2015).
- Non-interest bearing deposits amounted to JD 1.75 billion, representing (31%) of total deposits as of 31 December 2016 (JD 1.7 billion, representing (29.3%) of total deposits as of 31 December 2015).
- Restricted deposits amounted to JD 104.2 million, representing (1.85%) of total deposits as of 31 December 2016 (JD 91.4 million, representing (1.6%) of total deposits as of 31 December 2015).
- Dormant accounts amounted to JD 246.2 million, representing (4.4%) of total deposits as of 31 December 2016 (JD 229 million, representing (3.9%) of total deposits as of 31 December 2015).

16- MARGIN ACCOUNTS

This item consists of the following:

	2016	2015
	JD	JD
Margins against direct credit facilities	231,783,642	138,094,776
Margins against indirect credit facilities	93,663,442	109,898,631
Margin dealings	2,300,584	726,619
Other margins	1,153,615	30,388,461
Total	328,901,283	279,108,487

17- LOANS AND BORROWING

	Amount	Periodic Repayment	Repayment date	Guarantee	Borrowing interest rate	Re- lending interest rate
31 December 2016	JD					
Audi Bank loan	4,645,268	Monthly	31/05/2017	Financial solvency	%4.5	%10.3
Society General Bank loan	2,988,594	Monthly	30/04/2017	Financial solvency	%3.85	%10.3
Amman Cairo Bank	8,471,939	Monthly	30/07/2017	Financial solvency	%3.75	%10.3
Real Estate Mortgage Re-fund Co	5,000,000	Semi annual	05/05/2028	Financial solvency	%4.75	%10.3
Arab Investment Bank	108,090	Annual	30/05/2017	Financial solvency	%7.25	%10.5
Central Bank of Jordan	62,402	Annual	30/04/2017	Financial solvency	%7.0	-
Central Bank of Jordan	7,000,000	Semi annual	14/07/2028	Financial solvency	%3.03	-
Central Bank of Jordan	3,000,000	Semi annual	07/02/2031	Financial solvency	%3.08	Guaranteed %6.5 without guaranteed %7.05
Central Bank of Jordan	3,500,000	Semi annual	29/02/2024	Financial solvency	%2.5	Guaranteed %6.10 without guaranteed %7.05
Central Bank of Jordan	3,562,209	Instalment due	5 years with the exception of renewable energy projects 10 years	Promissory note on demand	Inside the capital 1.75% outside the capital 10%	Inside the capital 4.5% outside the capital 3.75%
	38,338,502					

31 December 2015	Amount	Periodic Repayment	Repayment date	Guarantee	Borrowing interest rate	Re-lending interest rate
	JD					
Audi Bank loan	4,728,127	Monthly	31/05/2016	Financial solvency	%4.5	%10.5
Society General Bank loan	1,990,746	Monthly	22/04/2016	Financial solvency	%4.85	%10.5
Amman Cairo Bank	6,807,733	Monthly	30/09/2016	Financial solvency	%3.75	%10.5
Real Estate Mortgage Re-fund Co	5,000,000	Semi annual	05/05/2018	Financial solvency	%4.75	%10.5
Arab Investment Bank	474,454	Annual	30/05/2016	Financial solvency	%7.5	-
Central Bank of Jordan	7,000,000	Semi annual	14/7/2028	Financial solvency	USD Libor, 6 months + agreed margin	USD Libor, 6 months + agreed margin
Central Bank of Jordan	3,500,000	Semi annual	29/11/2024	Financial solvency	%2.5	USD Libor, 6 months + agreed margin
Central Bank of Jordan	1,529,415	Installment due	9 months	Promissory note on demand	Re-discount rate at year date minus 2%	According to credit approval
	<u>31,030,475</u>					

- There are no repurchase agreements included in the loans and borrowings.

- All borrowed funds are in fixed interest rates.

18- SUNDRY PROVISIONS

This item consists of the following:

	Beginning Balance	Provision for the year	Provision used during the year	Reverse to Revenue	Currency translation	Ending Balance
	JD	JD	JD	JD	JD	JD
2016						
Provision for end-of-service indemnity	24,791,314	3,821,582	(2,430,315)	-	-	26,182,581
Provision for outstanding lawsuits against the Bank	346,762	193,775	(4,442)	(12,893)	(2,525)	520,677
Other provisions	19,110,347	19,693,164	(3,198,168)	(2,097,953)	(4,186,279)	29,321,111
Total	<u>44,248,423</u>	<u>23,708,521</u>	<u>(5,632,925)</u>	<u>(2,110,846)</u>	<u>(4,188,804)</u>	<u>56,024,369</u>
2015						
Provision for end-of-service indemnity	24,570,009	3,148,794	(2,927,489)	-	-	24,791,314
Provision for outstanding lawsuits against the Bank	523,583	189,471	(358,173)	-	(8,119)	346,762
Other provisions	10,625,967	13,996,321	(2,721,983)	-	(2,789,958)	19,110,347
Total	<u>35,719,559</u>	<u>17,334,586</u>	<u>(6,007,645)</u>	<u>-</u>	<u>(2,798,077)</u>	<u>44,248,423</u>

19- INCOME TAX

A- Provision for Income Tax

The movement on the provision for income tax is as follows:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Beginning balance	45,101,562	43,543,517
Income tax paid	(51,345,650)	(52,080,998)
Provision for income tax for the year	63,650,343	53,639,043
Currency translation	(405,825)	-
Ending Balance	<u>57,000,430</u>	<u>45,101,562</u>

- Income tax for Jordan branches of the Bank was paid up to the year 2013 and the Bank has paid advance payments on the income tax for the year 2014, 2015 and 2016.
- Income tax for Palestine branches was paid up to the year 2015. The Bank reach a final settlement with the Income Tax Department for the years except for 2015 and 2016.
- Income tax for International Bank for Trade and Finance /Syria was paid up to the year 2015.
- Income tax for the Housing Bank for Trade & Finance /Algeria was paid up to the year 2015.
- Income tax for Jordan International Bank/ London was paid up to the year 2015.
- Income tax for local International Financial Center was paid up to the year 2015.
- Income tax for the Specialized Financial Leasing Company was paid until the year 2015, and a final settlement was reached up to the year 2014.

Income tax in the consolidated income statement represents the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Current year provision for income tax	63,650,343	53,639,043
Deferred tax assets for the year	(5,779,117)	(7,324,109)
Amortization of deferred tax assets	1,452,292	5,977,148
	<u>59,323,518</u>	<u>52,292,082</u>

B- Deferred Income Tax Assets / Liabilities:

This item consists of the following:

	2016				2015	
	Beginning	Amounts	Amounts	Ending	Deferred tax	Deferred tax
	balance	released	added	balance	JD	JD
	JD	JD	JD	JD	JD	JD
Assets						
Suspended interest	1,205,934	319,849	-	886,085	293,516	399,466
Allowance for loans	56,603,478	-	12,655,831	69,259,309	22,942,180	18,749,931
Provision for indemnities	21,798,309	2,244,547	3,169,590	22,723,352	7,527,122	7,220,701
Impairment of real estate	1,548,117	-	514,982	2,063,099	683,403	512,815
Other provisions	9,398,578	705,246	-	8,693,332	2,879,671	3,113,284
Other assets	11,716,957	7,533	1,105,963	12,815,387	4,241,619	3,877,152
Accumulated losses of Jordan						
International Bank/London	14,915,577	4,059,595	-	10,855,982	2,171,196	2,983,115
TOTAL	117,186,950	7,336,770	17,446,366	127,296,546	40,738,707	36,856,464
Liabilities						
Revaluation of financial assets	6,208,932	-	-	6,208,932	2,056,712	2,056,712
TOTAL	6,208,932	-	-	6,208,932	2,056,712	2,056,712

The movement on the deferred income tax assets / liabilities is as follows:

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Beginning balance	36,856,464	2,056,712	36,097,883	2,056,712
Additions	5,779,117	-	7,323,977	-
Releases	(1,452,292)	-	(6,357,171)	-
Currency Translation	(444,582)	-	(208,225)	-
Ending Balance	40,738,707	2,056,712	36,856,464	2,056,712

C- Reconciliation of the accounting profit with taxable profit:

	2016	2015
	JD	JD
Accounting profit for the year	190,336,131	177,020,116
Non taxable income	(36,567,485)	(20,569,529)
Non deductible expenses for tax purposes	28,658,021	9,737,525
Taxable Profit	182,426,667	166,188,112
Effective income tax rate	31.17%	29.54%

- The legal income tax rate on banks in Jordan is 35%, and the range of tax rate on local companies between 20% and 24%. The income tax rates in the countries in which the Bank operates range between 0% and 31%.

- The tax rate on deferred tax assets is between 20% and 35%.

20- OTHER LIABILITIES

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Accrued interest	12,199,312	20,990,268
Interests and commissions received in advance	589,880	537,456
Accrued expenses	20,302,523	17,353,857
Certified cheques	35,965,089	36,992,164
Transfers deposits	25,391,351	14,959,497
Payment trusts	3,051,823	8,875,499
Prizes trusts	1,932,457	1,301,346
Correspondent banks trusts	165,533	201,949
General management trusts	1,944,814	1,917,304
Dividends payable *	405,751	334,684
Accounts payable	2,306,159	2,187,892
Other deposits	21,201,963	14,820,432
Others	11,706,467	16,050,678
Total	<u>137,163,122</u>	<u>136,523,026</u>

* This item represents prior years dividends payable to shareholders.

21- PAID-IN CAPITAL AND SHARE PREMIUM

Paid-in capital

Authorized and paid in capital amounted to JD 252 million divided into 252 million shares at a par value of JD 1 per share.

Share premium

Share premium amounted to JD 357,925,469 as of 31 December 2016 and 2015.

22- RESERVES

Statutory Reserve

As required by the Jordanian Banks and companies laws, 10% of the profit before tax of the Jordan branches is to be transferred to the statutory reserve. The statutory reserve is not available for distribution to shareholders.

Voluntary Reserve

This reserve represents amounts transferred from the pre-tax profits at a rate not exceeding 20% during previous years. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors. The General Assembly shall have the right to distribute it in whole or in part as dividends to shareholders.

General Banking Risk Reserve

This reserve represents general banking risks reserve according to the regulations of the Central Bank of Jordan.

Special reserve

This reserve represents the cyclical fluctuation for Palestine branches based on the instructions of the Palestinian Monetary Authority and at the International Bank for Trade and Finance/ Syria.

Restricted reserves are as follows:

<u>Reserve</u>	<u>2016</u> JD	<u>2015</u> JD	<u>Regulation</u>
General banking risk reserves	36,101,000	32,401,000	According to the regulations of the Central Bank of Jordan
Statutory reserve	189,054,310	172,277,768	According to the applicable laws and regulations
Special reserve	7,752,032	7,272,603	According to the applicable laws and regulations
Voluntary reserve	33,222,068	33,222,068	According to the applicable laws and regulations

23- FOREIGN CURRENCY TRANSLATION RESERVE

This item represents the differences resulting from the translation of net investments in the foreign subsidiaries and branches upon the consolidation of the financial statements. The movement on this account is as follows:

	<u>2016</u> JD	<u>2015</u> JD
Beginning balance	(89,872,167)	(62,331,553)
Net changes during the year	(20,843,387)	(27,540,614)
Ending Balance	<u>(110,715,554)</u>	<u>(89,872,167)</u>

24- REVALUATION RESERVE FOR FINANCIAL ASSETS

The movement on this items is as follows:

	<u>2016</u> JD	<u>2015</u> JD
Beginning balance	(349,012)	(266,054)
Unrealized gain (losses)	4,335	(82,958)
Ending Balance	<u>(344,677)</u>	<u>(349,012)</u>

25- RETAINED EARNINGS AND PROPOSED DIVIDENDS

The proposed cash dividends for the current year amounted to 30% equivalent to JD 75,6 million of paid-in capital subject to the approval of the General Assembly of Shareholders (32% for the prior year). In addition a capital increase of 25% of paid in capital by issuing a free shares through capitalizing the voluntary reserve and part of share premium, this increase is subject to the approval of the General Assembly. The paid in capital will reach 315 million after the increase, divided into 315 million shares at a par value of JD 1 per share.

Retained earnings attributable to the Bank's shareholders:

This item consists of the following:

	2016	2015
	JD	JD
Beginning balance	225,919,340	213,731,123
Profit for the year	123,787,093	121,768,520
Transfer to reserves	(20,955,971)	(21,417,472)
Dividends paid	(80,640,000)	(88,200,000)
Others	(156,965)	37,169
Ending Balance	247,953,497	225,919,340

- The Bank cannot use a restricted amount of JD 5,655,417 which represents the unrealized gains on financial assets through profit or loss according to the regulations of Jordan Securities Commission.
- The balance of retained earnings includes JD 127,299 which represents the effect of early application of International Financial Reporting Standard No. (9) and this amount is restricted from use except for the amounts that become realized as per Central Bank of Jordan Regulations.
- The Bank cannot use a restricted amount of JD 40,738,707 from the retained earnings, which represents deferred taxes, and the amount of JD 14,789,466 which represents foreign currency revaluation gain at the International Bank of Trade and Finance in Syria, and the amount of JD 344,677 represents a negative change of financial assets at fair value through comprehensive income. These amounts, cannot be used for capitalization or distribution except for the amounts actually realized according to the Central Bank of Jordan Regulations and Jordan Securities commission.

26 – SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

A- percenatage owned by non-controlling intretst:

2016				
			Non controlling	
	Country	Activity Sector	interests %	Dividends
				JD
International Bank for Trade and Finance /Syria	Syria	Banking	50.937%	-
The Housing Bank for Trade and Finance /Algeria	Algeria	Banking	15%	3,280,910
Jordan International Bank/London	U.K.	Banking	25%	-

2015				
			Non controlling	
	Country	Activity Sector	interests %	Dividends
				JD
International Bank for Trade and Finance /Syria	Syria	Banking	50.937%	-
The Housing Bank for Trade and Finance /Algeria	Algeria	Banking	15%	-
Jordan International Bank/London	U.K.	Banking	25%	-

B- The following are selected financial information for subsidiaries with material non-controlling interests:

A- Condensed Statement of financial position before elimination of inter-Company transactions as of 31 December 2016

	2016		
	International Bank for Trade & Finance/Syria	The Housing Bank for Trade & Finance/Algeria	Jordan International Bank London/U.K.
31 December 2016	JD	JD	JD
financial assets	163,645,440	325,282,125	349,253,144
Other assets	3,362,943	19,228,996	5,556,341
Total assets	167,008,383	344,511,121	354,809,485
financial Liabilities	129,842,603	192,560,238	281,903,928
Other Liabilities	17,670,853	39,199,859	3,023,316
Total Liabilities	147,513,456	231,760,097	284,927,244
Total Equity	19,494,927	112,751,024	69,882,241
Total Liabilities and Equity	167,008,383	344,511,121	354,809,485
Non Controlling Interest	9,909,964	16,913,781	17,470,560

	2015		
	International Bank for Trade & Finance/Syria	The Housing Bank for Trade & Finance/Algeria	Jordan International Bank London/U.K.
31 December 2015	JD	JD	JD
financial assets	172,891,851	296,967,677	399,303,614
Other assets	6,456,430	18,544,669	6,539,935
Total assets	179,348,281	315,512,346	405,843,549
financial Liabilities	148,774,177	174,220,615	324,046,803
Other Liabilities	12,647,877	30,145,187	2,980,239
Total Liabilities	161,422,054	204,365,802	327,027,042
Total Equity	17,926,227	111,146,544	78,816,507
Total Liabilities and Equity	179,348,281	315,512,346	405,843,549
Non Controlling Interest	9,114,862	16,671,982	19,704,127

B – Condensed Income Statement before elimination of inter-company transactions for the year ended on 31 December 2016

	2016		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London/U.K. JD
Total revenues	22,084,432	21,913,782	14,045,679
Profit for the year	8,971,365	10,277,099	4,643,453
Total Comprehensive Income	8,971,365	10,277,099	4,643,453
Attributable to non-Controlling Interest	4,569,722	1,541,668	1,160,863

	2015		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London/U.K. JD
Total revenues	23,394,630	22,436,239	15,313,672
Profit for the year	39,515	10,798,158	5,159,646
Total Comprehensive Income	39,515	10,798,158	5,159,646
Attributable to non-Controlling Interest	20,128	1,619,724	1,289,912

C – Cashflow statement:-

	2016		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London /U.K JD
Cash Flows			
Operating	(7,727,940)	1,331,155	3,238,698
Investing	(199,640)	(1,957,225)	(4,604,200)
Financing	2,522	(5,096,801)	882,726
Effect of change in exchange rates on cash and cash equivalents	7,124,054	(3,661,077)	(14,487,950)
Net increase/Decrease	(801,004)	(9,383,948)	(14,970,726)

	2015		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London /U.K JD
Cash Flows			
Operating	(41,222,027)	(24,010,076)	(47,512,448)
Investing	(144,427)	(223,581)	(18,848,004)
Financing	(607)	127,783	9,669,221
Effect of change in exchange rates on cash and cash equivalents	6,922,682	(21,836,712)	(3,376,841)
Net increase/Decrease	(34,444,379)	(45,942,586)	(60,068,072)

27- INTEREST INCOME

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Direct Credit Facilities:		
Individual retail customer:-		
Overdraft	309,656	399,666
Loans and discounted bills	56,324,052	51,919,524
Credit cards	1,738,148	1,727,537
Other	227,406	73,630
Real estate mortgages	64,098,725	58,753,241
Large corporate customers:		
Overdraft	9,630,506	13,225,140
Loans and discounted bills	56,826,649	59,330,176
SMEs		
Overdraft	12,147,617	10,811,325
Loans and discounted bills	14,641,117	13,121,255
Government and Public Sector	40,033,370	28,666,844
Balances with central banks	4,675,402	12,400,914
Balances and deposits with banks and financial institutions	4,653,619	4,152,794
Financial assets at fair value through profit or loss	10,624	21,034
Financial assets at amortized cost	96,441,940	127,437,779
Total	<u>361,758,831</u>	<u>382,040,859</u>

28- INTEREST EXPENSE

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Banks and financial institutions deposits	5,026,664	4,504,787
Customers deposits :		
Current accounts and demand deposits	980,641	1,326,961
Saving deposits	12,251,708	12,853,246
Time and notice deposits	49,938,852	75,948,023
Certificates of deposit	5,616,888	5,950,012
Margin accounts	5,573,107	4,029,668
Subordinated loans	1,225,961	1,028,163
Deposits insurance fees	11,226,073	10,396,952
Total	<u>91,839,894</u>	<u>116,037,812</u>

29- NET COMMISSION INCOME

This item consists of the following:

	2016 JD	2015 JD
Commission income:		
Direct credit facilities	12,369,672	12,955,040
Indirect credit facilities	12,832,750	15,426,115
Less: Commission expense	(41,441)	(37,590)
Net Commission Income	25,160,981	28,343,565

30- NET GAIN FROM FOREIGN CURRENCY EXCHANGE

This item consists of the following:

	2016 JD	2015 JD
From trading	1,385,596	1,637,079
From re-valuation	19,334,876	20,218,336
Total	20,720,472	21,855,415

31- (LOSSES) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This item consists of the following:

	Realized		Unrealized		Dividends	Total
	Gain	(Loss)	Gain	(Loss)	Received	
	JD	JD	JD	JD	JD	JD
2016						
Bonds	-	-	-	(31,667)	-	(31,667)
Coprorate shares	-	(126,946)	99,399	(716,379)	268,289	(475,637)
Investment funds	16,268	-	-	-	22,857	39,125
Total	16,268	(126,946)	99,399	(748,046)	291,146	(468,179)
2015						
Bonds	-	-	-	(93,606)	-	(93,606)
Coprorate shares	311	(13,084)	170,137	(313,824)	260,951	104,491
Investment funds	-	(12,023)	-	(426,735)	-	(438,758)
Total	311	(25,107)	170,137	(834,165)	260,951	(427,873)

32- OTHER INCOME

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Fees on salaries accounts	3,310,980	3,348,373
Credit cards income	5,905,040	6,423,370
Safety deposit box rental income	596,537	591,108
Commissions on returned checks	538,589	519,287
Management fees	4,771,994	4,449,851
Net income from recovered loans	16,205,781	2,865,893
Brokerage services fees	602,931	741,690
Banking services fees	1,540,962	1,884,587
Income on transfers	6,671,450	7,193,894
Miscellaneous income	9,159,946	2,477,025
Total	<u>49,304,210</u>	<u>30,495,078</u>

33- EMPLOYEES EXPENSES

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Salaries, benefits and allowances	58,233,143	56,058,547
Bank's contribution in social security	6,524,730	6,196,082
Bank's contribution in the saving fund	177,853	177,674
End-of-service indemnity	3,821,582	3,148,794
Medical expenses	3,070,809	2,904,436
Training expenses	757,913	782,587
Travel and transportation expenses	1,332,276	1,426,047
Other	1,036,944	1,088,120
Total	<u>74,955,250</u>	<u>71,782,287</u>

34- OTHER EXPENSES

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Information technology	10,145,101	9,168,571
Marketing and promotion	3,723,812	3,365,260
External and professional services	2,274,382	1,297,415
Rents and workplace expenses	20,139,388	19,092,349
Financial institutions subscription fees	3,097,924	2,891,431
Stationary expenses	2,045,292	2,303,982
Fees on credit facilities processing	1,063,576	188,115
Other expenses	9,675,756	10,700,480
Total	<u>52,165,231</u>	<u>49,007,603</u>

35- EARNINGS PER SHARE

This item consists of the following:

	<u>2016</u>	<u>2015</u>
Profit for the year (JD)	123,787,093	121,768,520
Weighted average number of shares (share)	252,000,000	252,000,000
Basic and diluted earnings per share attributable to the Bank's shareholders	<u>JD 0.491</u>	<u>JD 0.483</u>

36- CASH AND CASH EQUIVALENTS

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	<u>JD</u>	<u>JD</u>
Cash and balances with central banks maturing within 3 months	1,052,501,966	980,531,493
Add: Balances with banks and financial institutions maturing within 3 months	549,833,560	655,755,916
Less: Banks and financial institutions deposits maturing within 3 months	<u>(429,378,413)</u>	<u>(424,554,260)</u>
	<u>1,172,957,113</u>	<u>1,211,733,149</u>

37- FINANCIAL DERIVATIVE INSTRUMENTS

This item consists of the following:

	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Nominal value</u>	<u>Due in three months</u>	<u>Due to 3-12 months</u>	<u>More than 3 years</u>
	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>	<u>JD</u>
<u>2016</u>						
Forward foreign currency contracts	295,177	(231,559)	36,893,573	19,113,230	17,780,343	-
Interest rate swap contracts	-	-	-	-	-	-
	<u>295,177</u>	<u>(231,559)</u>	<u>36,893,573</u>	<u>19,113,230</u>	<u>17,780,343</u>	<u>-</u>
<u>2015</u>						
Forward foreign currency contracts	231,559	(295,177)	89,893,698	66,764,955	23,128,743	-
Interest rate swap contracts	-	-	-	-	-	-
	<u>231,559</u>	<u>(295,177)</u>	<u>89,893,698</u>	<u>66,764,955</u>	<u>23,128,743</u>	<u>-</u>

Nominal value represents the value of transactions outstanding at year-end and does not refer to market risks or credit risks.

38- RELATED PARTY TRANSACTIONS

These consolidated financial statements include the financial statements of the Bank and the following subsidiaries:

Company Name	Ownership 2015 %	Company's capital	
		2016	2015
		JD	JD
The Housing Bank for Trade and Finance / Algeria	85%	98,134,068	98,134,068
International Bank for Trade and Finance / Syria	49.063%	76,684,321	76,684,321
International Financial Center	77.5%	5,000,000	5,000,000
Specialized Lease Finance Co.	100%	30,000,000	30,000,000
Jordan Real Estate Investment Co.	100%	40,000	40,000
Jordan International Bank / London	75%	61,873,580	61,873,580
International Financial Center / Syria	46.704%	1,495,780	1,495,780

- The International Bank for Trade and Finance – Syria own's 85% of the company International Financial Centre – Syria and the Bank's ownership is 5% of the company.
- The Bank entered into transactions with major shareholders, Board of Directors, and executive management in the course of its ordinary activities at commercial rates of interest and commissions. All facilities granted to related parties are performing and no provisions have been taken.

Summary of related party transactions during the year:

	Related Party		Executive Management	Total	
	Major Shareholders	Board of directors		2016	2015
	JD	JD	JD	JD	JD
Financial position items					
Total deposits with related parties	92,976,283	-	-	92,976,283	141,733,552
Total deposits from related parties	284,183,758	10,691,519	1,087,069	295,962,346	418,203,455
Loans and advances granted to related parties	-	427	1,593,844	1,594,271	1,562,069
Income statement items					
Interest and commissions income	682,541	1,822	63,065	747,428	1,074,490
Interest and commissions expense	9,271,791	259,063	12,910	9,543,764	14,439,872

* Interest income rates range from 0% to 4%.

** interest expense rates range from 2.75% to 6%.

The Bank's executive management remuneration (salaries, bonuses, and other benefits) were as follows:

	2016 JD	2015 JD
Salaries, bonuses, and other benefits	2,545,929	3,147,816
Salaries, bonuses, and other benefits/ Subsidiaries	1,290,487	1,340,948

39- FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE IN THE FINANCIAL STATEMENTS

This item consists of the following:

	2016		2015	
	Book value JD	Fair Value JD	Book value JD	Fair value JD
Other financial assets at amortized cost	1,791,900,701	1,795,093,500	2,365,183,490	2,362,426,554
Direct credit facilities – net	4,042,066,469	4,042,066,469	3,494,685,820	3,494,685,820

40- RISK MANAGEMENT

The Bank manages the various banking risks based on several methods by means of a comprehensive strategy to limit risks and ways of combatting and mitigating them through managing risks, the Assets and Liabilities Committee, the Investment Committee, and the Credit Quality Assurance Unit. Moreover, all the Bank's departments are responsible for identifying the risks related to the banking operations, setting up the proper controls, and monitoring their effectiveness compatible with the risks control system to achieve the optimal risks – return balance.

Risks management includes the identification, measurement, management, and continuous control of financial and non-financial risks that may negatively affect the Bank's performance and reputation, in addition to guaranteeing the optimal allocation of capital to achieve the optimal returns against risks.

The Bank is exposed to the following risks:

- Market risk
- Operating risks
- Credit risk
- Liquidity risk
- Information security risk
- Business continuity risk
- Strategic risk
- Foreign currency and interest risk

Risk management at the Bank is carried out according to main principles compatible with the size of its activities, variety of its operations, and instructions of the regulatory authorities. These principles are as follows:

- Guidelines and strategies of the Board of Directors on managing risks.
- Policies on managing the various risks approved by the Board of Directors.
- Identification of acceptable risk limits.
- Distribution of control tasks and responsibilities to employees according to specialty.
- Risks Committee ensuing from the Board of Directors to ensure the effectiveness of the risk management policies and procedures at the Bank. This Committee is responsible for sponsoring the application and guidelines of the Board of Directors in connection with risk management and the adoption of principles, general frameworks, and allowed limits.

- The Assets and Liabilities Committee are responsible for planning the optimal employment of capital, assets, and liabilities, and the constant monitoring of liquidity risks and market risks.
- The Risk Management Department is a department independent from the Bank's other activities. It manages credit risks, market risks, liquidity risks and operating risk management according to a comprehensive and central strategy inside the Bank while having systems that help in Managing risks. The Risks Department is directly related to the Chief Executive Officer and the Risks Committee of the Board of Directors.

Credit Risk

Credit risk arises from the other parties inability or default to settle its obligation causing losses to the Bank. Moreover, the Bank manages credit risk through establishing credit ceilings for the credit facilities granted to customers (individual or corporate) and the total credit facilities for each sector or geographic location. The Bank monitors credit risks and continuously evaluates the customers' credit status in addition to obtaining proper collaterals from its customers.

Credit risk measurement:

1. Loans and Facilities

The Bank's internal rating system (Moody's) is used to measure the degree of the risk associated with the commercial borrowers. On the basis of this system, borrowers are rated based on their quantitative and qualitative evaluation.

2. Debt Instruments:

The external rating system issued by international rating agencies such as (Standard & Poor) and (Moody's) or their equivalent is used to manage debt instruments credit risk exposure.

Monitoring Credit Risk and Credit Risk Mitigatiing Policies:

The Bank manages credit limits and monitors the credit concentration risks at the level of the customer (individual or corporate) and size of credit exposure for each sector or geographic location.

Moreover, the Bank sets the levels for the acceptable credit risks through setting ceilings to the acceptable risks in relationship to the single borrower or group of borrowers for each sector or geographic location.

These risks are monitored continuously and are subject to an annual or periodic review. Moreover, the actual exposure volume against the ceilings are monitored daily.

Credit Risk Mitigating Methods:

Risk management at the Bank depends on several methods to mitigate risks including:

Guarantees and ability to liquidate them and percentage of their coverage of the extended credit which is monitored and evaluated continuously.

The types of collateral against the loans and credit facilities are as follows:

- Real estate and housing buildings mortgages.
- Financial instruments mortgages (bills and shares).
- Bank guarantees.
- Cash guarantee.
- Governmental guarantee.

Moreover, the Bank adopts the following methods to improve the quality of credit and to mitigate risks:

- Adoption of the committees system for granting credit.
- Diversifying the credit facilities portfolio is a major principle in mitigating credit risk. Moreover, the Bank's annual plan includes the targeted distribution of credit and investments to several sectors and various markets based on the risk rating system for the economic and geographic sectors.
- Adoption of the system of three approvals for credit granting.
- Authority to approve credit varies from one management level to another based on the customer's portfolio size, level of exposure, maturity, and degree of customer's risk.
- There is complete separation between credit marketing management departments (business) and credit analysis and monitoring departments.

1-Exposure to credit risk (after impairment provisions and suspended interest and before collaterals held or other risk mitigating factors):

	2016 JD	2015 JD
Statement of financial position		
Balances with central banks	912,391,743	893,402,566
Balances with banks and financial institutions	549,833,560	655,755,916
Deposits with banks and financial institutions	22,795,894	24,624,589
Credit facilities		
Retail	659,111,406	564,856,167
Real estate mortgages	1,110,250,701	980,147,256
Corporate		
Large Corporate	1,059,693,062	842,869,920
SMEs lending	307,466,448	252,347,522
Government and public sector	905,544,852	854,464,955
Bonds debentures and treasury bills funds:		
Financial assets at fair value through profit or loss	503,384	1,012,435
Other financial assets at amortized cost	1,791,900,701	2,365,183,490
Total	<u>7,319,491,751</u>	<u>7,434,664,816</u>
Commitments and contingent liabilities		
Letters of credit	325,245,500	446,452,224
Acceptances	74,730,105	47,796,348
Letters of guarantee	676,603,491	780,846,025
Un-utilized facilities	589,307,067	551,384,114
Total	<u>1,665,886,163</u>	<u>1,826,478,711</u>
	<u>8,985,377,914</u>	<u>9,261,143,527</u>

The above table represents the highest credit risk exposure for the Bank as of 31 December 2016 and 2015, without taking into consideration any collateral held or any other credit risk mitigating factors.

Exposure to credit risk is distributed as follows:

- 16.5% of the total exposure is derived from balances with central banks and other banks and financial institutions. (17%: 2015).
- 45% from the total exposure results from loans and credit facilities (38%: 2015).
- 20% from the total exposure results from investment in bonds debentures and treasury bills and funds (26%: 2015).
- 18.5% from the total exposure results from off-financial position items and other assets. (20%: 2015).

2- The following table shows the distribution of credit risk exposure according to credit risk rating:

	Corporate entities				Banks and		Total
		Real estate			Government and	other financial	
	Retail	mortgages	Large companies	SMEs	public sector	institutions	
	JD	JD	JD	JD	JD	JD	JD
2016							
Low risk	13,487,488	70,937,882	22,055,797	5,949,334	2,428,588,317	912,391,743	3,453,410,561
Acceptable risk	625,957,134	972,043,775	1,159,067,547	285,005,086	128,951,139	572,629,454	3,743,654,135
From which past due**:	16,838,323	67,710,291	146,309,365	19,727,554	60,062,593	-	310,648,126
Up to 30 days	16,349,237	67,676,749	144,284,843	18,720,557	60,062,593	-	307,093,979
From 31 to 60 days	489,086	33,542	2,024,522	1,006,997	-	-	3,554,147
Watch list	11,639,027	42,284,455	82,878,025	18,046,017	-	-	154,847,524
Non- performing:	8,915,025	12,675,861	35,448,117	8,492,505	-	-	65,531,508
Sub-standard	3,804,746	10,294,259	2,202,751	4,731,606	-	-	21,033,362
Doubtful	4,365,701	4,576,146	7,738,566	3,164,315	-	-	19,844,728
Impaired	30,563,039	35,211,588	100,496,470	31,299,098	-	-	197,570,195
Total	689,817,135	1,135,348,105	1,374,439,156	348,195,456	2,557,539,456	1,485,021,197	7,590,360,505
Less:Interest in suspense	12,827,327	12,250,070	43,611,087	14,781,627	-	-	83,470,111
Allowance for impairment	17,878,403	12,847,330	130,725,527	25,947,383	-	-	187,398,643
Net	659,111,405	1,110,250,705	1,200,102,542	307,466,446	2,557,539,456	1,485,021,197	7,319,491,751
2015							
Low risk	10,974,990	60,327,142	56,784,717	7,907,375	2,854,673,292	1,002,968,504	3,993,636,020
Acceptable risk	536,467,906	857,992,919	847,970,712	237,324,808	91,258,794	681,392,940	3,252,408,079
From which past due**:							
Up to 30 days	15,339,224	60,429,284	52,705,538	21,214,482	516,606	-	150,205,134
From 31 to 60 days	397,521	59,807	711,467	783,731	-	-	1,952,526
Watch list	13,211,959	43,858,620	141,979,206	11,439,471	-	-	210,489,256
Non- performing:							
Sub-standard	2,216,798	6,553,843	259,456	1,743,178	-	-	10,773,275
Doubtful	3,914,108	8,071,952	7,382,663	1,542,330	-	-	20,911,053
Impaired	26,262,886	27,460,601	145,729,019	29,438,466	51,750	-	228,942,722
Total	593,048,847	1,004,265,077	1,200,105,773	289,395,628	2,945,983,836	1,684,361,444	7,717,160,405
Less:Interest in suspense	11,503,121	11,256,585	49,250,880	13,421,639	-	-	85,432,225
Allowance for impairment	16,689,360	12,467,972	144,279,565	23,626,467	-	-	197,063,364
Net	564,856,166	980,540,520	1,006,575,328	252,347,522	2,945,983,836	1,684,361,444	7,434,664,816

* Credit exposures include credit facilities, balances and deposits with banks and financial institutions, bonds, treasury bills and some other assets.

** If one installment becomes due, the whole balance is considered due, while the overdraft account is considered due if the balance exceeds the ceiling.

The following table breaks down the fair value of the collaterals held as security for credit facilities:

	Corporate entities					Government and Public Sector	Total
	Retail	Real Estate Mortgages	Large Companies	SMEs			
	JD	JD	JD	JD			
2016							
<u>Collaterals against</u>							
Low risk	13,660,020	70,937,881	22,056,527	5,949,334	730,764,706	843,368,468	
Acceptable risk	94,804,336	837,785,493	329,319,018	211,138,355	8,523,921	1,481,571,123	
Watch list	6,064,473	38,971,224	54,960,016	7,525,531	-	107,521,244	
Non-performing :							
Sub – standard	1,209,056	10,252,419	364,360	3,508,307	-	15,334,142	
Doubtful	2,304,321	4,467,911	1,356,623	2,469,589	-	10,598,444	
Impaired	10,331,880	35,325,844	24,527,872	20,221,554	-	90,407,150	
Total	128,374,086	997,740,772	432,584,416	250,812,670	739,288,627	2,548,800,571	
Including:							
Cash margins	21,880,030	2,401,041	173,445,882	31,883,322	-	229,610,275	
Government guarantee	-	-	-	17,255,481	730,764,704	748,020,185	
Accepted bank guarantees	22,188,251	239,470,287	42,054,093	116,228,886	232,000	420,173,517	
Residential mortgages	62,463,065	754,522,428	134,636,619	75,102,329	8,291,923	1,035,016,364	
Listed shares	3,134,456	1,291,768	48,132,815	6,873,045	-	59,432,084	
Equipment and vehicles	18,708,284	55,248	34,315,007	3,469,607	-	56,548,146	
Total	128,374,086	997,740,772	432,584,416	250,812,670	739,288,627	2,548,800,571	
2015							
<u>Collaterals against</u>							
Low risk	10,974,990	60,327,142	56,785,447	7,907,375	714,041,679	850,036,633	
Acceptable risk	74,391,959	763,910,805	184,935,231	181,529,852	7,153,085	1,211,920,932	
Watch list	5,966,660	36,947,419	69,912,106	6,851,095	-	119,677,280	
Non-performing :							
Sub – standard	610,115	6,484,055	-	851,052	-	7,945,222	
Doubtful	1,898,842	7,149,788	1,499,526	1,007,866	-	11,556,022	
Impaired	9,986,829	20,390,447	50,424,163	20,031,691	-	100,833,130	
Total	103,829,395	895,209,656	363,556,473	218,178,931	721,194,764	2,301,969,219	
Including:							
Cash margins	9,978,737	1,851,582	76,661,096	12,455,964	-	100,947,379	
Government guarantee	-	-	30,766,870	8,981,871	714,041,679	753,790,420	
Accepted bank guarantees	10,831,497	259,186,799	64,209,905	119,467,744	232,000	453,927,945	
Residential mortgages	66,045,795	634,080,142	128,587,132	69,753,091	6,921,085	905,387,245	
Listed shares	1,986,694	-	25,001,287	4,788,087	-	31,776,068	
Equipment and vehicles	14,986,672	91,133	38,330,183	2,732,174	-	56,140,162	
Total	103,829,395	895,209,656	363,556,473	218,178,931	721,194,764	2,301,969,219	

For the purposes of the above table, credit guarantees should not exceed the loan balance for each client.

Rescheduled Loans

These represent loans previously classified as non-performing loans and were reclassified as performing loans watch list during the year 2016. Moreover, they amounted to JD 41,6 million as of 31 December 2016 (JD 38,5 million as of 31 December 2015).

The balance of scheduled debt represents the debt that was scheduled whether classified under watch list or transferred to performing.

Restructured Loans

Restructuring is the re-arrangement of facilities installments by increasing their duration, postponing some installments or increasing the grace period. During the year 2016 they were classified within watch list facilities under control and amounted to JD 309,7 million as of 31 December 2016 (JD 179 million as of 31 December 2015).

3- Debt Securities and Treasury Bills

The Schedule below shows the distribution of bonds and bills according to the international agencies classification (classification institution S&P):

Rating grade	Financial assets at fair value through P&L	Other Financial assets at amortized cost	Total
	JD	JD	JD
AAA	-	2,822,338	2,822,338
AA	-	14,664,626	14,664,626
AA-	-	7,321,065	7,321,065
A+	-	11,416,187	11,416,187
A	-	22,040,862	22,040,862
A-	-	15,458,008	15,458,008
BBB+	-	45,020,221	45,020,221
BBB	-	4,607,330	4,607,330
BBB-	-	7,210,970	7,210,970
BB	-	5,105,591	5,105,591
B	-	1,488,900	1,488,900
Un-rated	-	2,750,000	2,750,000
Governmental or government guarantee	503,384	1,651,994,603	1,652,497,987
Total	503,384	1,791,900,701	1,792,404,085

4-The schedule below shows the geographical distribution of the credit risk exposure (after allowance and suspended interest):

Geographical Area Items	Inside Jordan JD	Other Middle East Countries JD	Europe JD	Asia * JD	Africa * JD	America JD	Other Countries JD	Total JD
Cash and balances with central banks	697,652,673	80,463,060	-	-	134,276,010	-	-	912,391,743
Balances with banks and financial institutions	134,430,198	127,162,490	278,451,389	396,012	7,799,838	1,535,149	58,484	549,833,560
Deposits with banks and financial institutions	15,000,000	-	7,795,894	-	-	-	-	22,795,894
Credit Facilities								
Retail	604,057,410	54,869,285	145,280	-	5,767	-	33,664	659,111,406
Real estate mortgages	910,793,692	61,445,105	135,880,774	-	2,131,130	-	-	1,110,250,701
CORPORATE ENTITIES								
Large companies	667,296,357	375,358,043	-	1,442,739	5,283,121	-	10,312,802	1,059,693,062
SMEs	132,979,896	14,716,618	3,338,151	4,817,506	151,330,646	-	283,631	307,466,448
Government and public sector	859,476,070	46,068,782	-	-	-	-	-	905,544,852
Bonds debentures and treasury bills								
Other financial assets at amortized costs	1,529,561,033	33,702,487	60,221,287	29,910,905	15,047,972	95,577,629	27,879,388	1,791,900,701
Financial Assets at fair value through P & L	503,384	-	-	-	-	-	-	503,384
Total 2016	5,551,750,713	793,785,870	485,832,775	36,567,162	315,874,484	97,112,778	38,567,969	7,319,491,751
Total 2015	6,401,578,298	368,232,264	474,735,709	17,265,410	13,488,697	125,102,841	34,261,597	7,434,664,816

* Excluding the Middle East countries.

5- The schedule below shows the credit risk exposure according to economic sectors:

Economic Sectors Items	Finance JD	Manufacturing JD	Trade JD	Real Estate JD	Agriculture JD	Shares JD	Retail JD	Governmental and Public Sector JD	Other JD	Total JD
Balances with Central Banks	912,391,743	-	-	-	-	-	-	-	-	912,391,743
Balances with banks and financial institutions	549,833,560	-	-	-	-	-	-	-	-	549,833,560
Deposits with banks and financial institutions	22,795,894	-	-	-	-	-	-	-	-	22,795,894
Credit Facilities	103,503,743	302,163,155	410,646,816	1,080,224,265	7,818,572	1,758,459	715,305,085	905,544,852	515,301,720	4,042,068,489
Bonds debentures and treasury bills	-	-	-	-	-	-	-	-	-	-
Other financial assets at amortized costs	117,509,757	-	-	-	-	-	-	1,661,334,799	13,056,145	1,791,900,701
Financial assets designated at fair value through P&L	-	-	-	-	-	-	-	503,384	-	503,384
Total 2016	1,706,034,697	302,163,155	410,646,816	1,080,224,265	7,818,572	1,758,459	715,305,085	2,567,383,035	528,357,865	7,319,491,751
Total 2015	1,761,567,290	210,484,348	347,990,813	1,020,980,561	4,046,950	13,954,702	593,260,940	3,060,165,823	422,213,389	7,434,664,816

Market Risk

Market risk is defined as the risk of fluctuation in fair value or cash flows of financial assets arising from changes in market prices, such as interest, foreign currency risk and shares price. These risks arise from open position in interests currencies and investments in shares.

Market risk is monitored through specialized committees, policies and procedures. Market risk includes interest rate risk, foreign currency risk and equity securities risk.

Market risk is measured and monitored through sensitivity analysis and VAR using a 99% confidence level according to Basel II policies, stop loss limits, and monitoring ceilings for trades.

Sensitivity analysis is based on estimating the loss risk in fair value due to changes in interest rate and foreign currencies exchange rate. Moreover, fair value is calculated according to the current value of future money flows that will be affected by price changes.

VAR is a statistical technique used to estimate the probability of portfolio losses based on unexpected changes in the market; VAR is not expected to exceed the maximum loss at the estimated confidence level of 99% during the specific holding period.

1. Interest rate risk:

It is the risk that results from the changes in market interest rate. And the Bank manages the interest rate risk by applying sensitivity analysis for the interest rate sensitive instruments designated at fair value through the income statement by shifting the yield curve a parallel shift of $\pm 1\%$.

Currency	Increase in interest rate by 1% on the consolidated income statement	Decrease in interest rate by 1% on the consolidated income statement	Increase in interest rate by 1% on equity	Decrease in interest rate by 1% on equity
Sensitivity Analysis 2016				
US Dollars	(7,981)	8,218	(5,492)	5,656
Sensitivity Analysis 2015				
US Dollars	(721)	721	(508)	508

2. Foreign Exchange risk:

It is the risk that results from the changes in foreign exchange rates that might have an effect on the Bank's assets and liabilities held in foreign currency. The Bank manages the exchange rate risk by applying sensitivity analysis to the Bank's net foreign currencies positions by shifting the exchange rate $\pm 1\%$ on net profit and loss and shareholders' equity.

Currency	Increase exchange rate currency by 1% on the consolidated income statement JD	Decrease exchange rate currency by 1% on the consolidated income statement JD	Increase exchange rate currency by 1% on equity JD	Decrease exchange rate currency by 1% on equity JD
Sensitivity Analysis 2016				
Euro	(61,612)	61,612	(42,537)	42,537
Sterling Pound	629,623	(629,623)	434,692	(434,692)
Austrian Dollar	213	(213)	147	(147)
Swiss Frank	419	(419)	289	(289)
Canadian Dollar	(125)	125	(87)	87
Japanese Yen	909	(909)	628	(628)
Syrian Lira	34,903	(34,903)	24,097	(24,097)
Algerian Dinar	1,028,814	(1,028,814)	710,293	(710,293)
Sensitivity Analysis 2015				
Euro	(414,136)	414,136	(291,819)	291,819
Sterling Pound	891,039	(891,039)	627,825	(627,825)
Austrian Dollar	278	(278)	196	(196)
Swiss Frank	619	(619)	436	(436)
Canadian Dollar	66	(66)	46	(46)
Japanese Yen	(6,643)	6,643	(4,681)	4,681
Syrian Lira	19,642	(19,642)	13,840	(13,840)
Algerian Dinar	994,100	(994,100)	700,441	(700,441)

3. Equity price risk:

It is the risk that results from the changes in equity instruments prices in the Banks financial assets at fair value through profit or loss and for financial assets at fair value through other comprehensive income. The Bank manages the share price risk by applying the VAR methodology which was calculated on the basis of historical prices of equity instruments for a confidence level of 99% for one day for each company separately. The VAR was then calculated for the banks portfolio.

	VAR
Sensitivity Analysis VAR 2016	
Financial assets at fair value through profit or loss	(1,061,810)
Financial assets at fair value through other comprehensive income	(29,357)
Sensitivity Analysis VAR 2015	
Financial assets at fair value through profit or loss	(1,062,096)
Financial assets at fair value through other comprehensive income	(29,534)

Interest rate re-pricing gap:

Classification is done according to interest re-pricing or maturity, whichever is closer:

	Interest rate re-pricing							Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Non-Interest Bearing Items	
	JD	JD	JD	JD	JD	JD	JD	
2016								
ASSETS								
Cash and balances with Central banks	433,814,532	22,900,000	-	-	-	-	595,787,434	1,052,501,966
Balances with banks and financial institutions	120,946,578	375,512,429	-	-	-	-	53,374,553	549,833,560
Deposits with banks and financial institutions	-	-	10,401,679	11,898,106	496,109	-	-	22,795,894
Financial assets at fair value through profit or loss	511,909	-	-	-	503,384	-	20,942,426	21,957,719
Direct credit facilities - net	669,635,523	646,669,464	563,524,486	912,779,110	691,953,072	538,684,414	18,820,400	4,042,066,469
Financial assets at fair value through other comprehensive income	-	-	-	-	10,677	-	569,847	580,524
Other financial assets at amortized cost	141,755,634	65,623,520	113,189,217	287,369,068	1,134,339,168	49,624,094	-	1,791,900,701
Property and equipment - net	-	-	-	-	-	-	168,524,627	168,524,627
Intangible assets - net	-	-	-	-	-	-	24,351,994	24,351,994
Deferred tax assets	-	-	-	-	-	-	40,738,707	40,738,707
Other assets	2,806,812	-	115,732	-	-	-	102,050,490	104,973,034
TOTAL ASSETS	1,369,470,988	1,110,705,413	687,231,114	1,212,046,284	1,827,302,410	588,308,508	1,025,160,478	7,820,225,195
LIABILITIES								
Banks and financial institutions deposits	25,363,630	323,941,379	31,330,468	15,000,000	17,454,261	-	80,073,404	493,163,142
Customers' deposits	1,221,268,783	2,032,328,446	275,178,051	185,199,142	176,242,623	1,432,704	1,755,877,344	5,647,527,093
Margin accounts	85,209,772	39,037,121	26,599,510	37,025,978	40,090,054	63,157,417	37,781,431	328,901,283
Loans and Borrowing's	170,492	13,562,209	11,133,862	8,471,939	5,000,000	-	-	38,338,502
Sundry provisions	-	-	-	-	-	-	56,024,369	56,024,369
Income tax provision	-	-	-	-	-	1,026,871	55,973,559	57,000,430
Deferred tax liabilities	-	-	-	-	-	-	2,056,712	2,056,712
Other liabilities	124,125	768,928	624,483	901,487	-	-	134,744,099	137,163,122
TOTAL LIABILITIES	1,332,136,802	2,409,638,083	344,866,374	246,598,548	238,786,938	65,616,992	2,122,530,918	6,760,174,653
Interest rate re-pricing gap	37,334,186	(1,298,932,670)	342,364,740	965,447,736	1,588,515,472	522,691,516	(1,097,370,440)	1,060,050,542
2015								
TOTAL ASSETS	1,172,738,336	3,040,920,216	326,227,857	928,315,650	1,300,770,125	190,888,776	962,837,768	7,922,698,728
TOTAL LIABILITIES	1,627,029,633	1,891,237,009	612,955,644	285,881,608	291,262,415	106,764,801	2,068,227,363	6,883,358,473
Interest rate re-pricing gap	(454,291,297)	1,149,683,207	(286,727,787)	642,434,042	1,009,507,710	84,123,975	(1,105,389,595)	1,039,340,255

CONCENTRATION OF FOREIGN CURRENCY RISK

Currency								
Items	US Dollar	Euro	Sterling Pound	Japanese Yen	Syrian lira	Algerian Dinar	Other	Total
	JD	JD	JD	JD	JD	JD	JD	JD
2016								
ASSETS								
Cash and balances with Central banks	166,951,720	29,523,849	676,023	1,009	15,599,242	100,388,990	39,340,813	352,483,646
Balances with banks and financial institutions	389,085,461	39,652,795	15,576,519	698,524	9,998,551	7,798,659	51,055,058	513,865,567
Deposits with banks and financial institutions	7,705,106	-	-	-	-	-	90,788	7,795,894
Financial asset Designated at fair value through profit or loss	1,015,293	-	-	-	-	-	-	1,015,293
Direct credit facilities	623,269,311	7,181,285	122,069,096	-	15,351,063	162,344,911	133,428,531	1,063,644,197
Financial asset at fair value through other comprehensive income	54,327	-	-	-	-	-	-	54,327
Other Financial assets at amortized cost	387,419,755	17,749,074	34,780,940	-	-	1,599,000	-	441,548,769
Property and equipment - net	-	-	233,446	-	2,775,114	2,901,525	556,875	6,466,960
Intangible assets - net	-	-	5,715,364	-	353	805,105	456,520	6,977,342
Deferred tax assets	593,614	4,196	1,552,675	-	10,722	-	20,711	2,181,918
Other assets	3,920,217	(2,752,512)	2,496,055	1,200	670,862	19,070,229	2,389,507	25,795,558
Total assets	1,580,014,804	91,358,687	183,102,118	700,733	44,405,907	294,908,419	227,338,803	2,421,829,471

LIABILITIES

Banks and financial institutions deposits	286,912,140	9,052,415	38,484,523	(242,187)	3,838,651	-	6,244,981	344,290,523
Customers' deposits	1,122,159,634	80,686,876	58,092,066	572,058	36,311,656	123,066,595	160,248,319	1,581,137,204
Margin accounts	185,928,867	6,029,213	107,363	279,351	1,311,303	20,619,467	10,517,241	224,792,805
Sundry provisions	3,167,106	40,139	-	-	19,952,421	512,552	(2,567,081)	21,105,137
Income tax provision	-	-	351,156	-	1,895,806	703,977	-	2,950,939
Other liabilities	11,218,567	1,594,405	(4,598,090)	-	1,171,830	35,951,540	11,326,119	56,664,371
Total liabilities	1,609,386,314	97,403,048	92,437,018	609,222	64,481,667	180,854,131	185,769,579	2,230,940,979
Net position	(29,371,510)	(6,044,361)	90,665,100	91,511	(20,075,760)	114,054,288	41,569,224	190,888,492
Off-financial position contingent liabilities								
	647,004,259	373,054,741	27,998,159	210,291	7,356,180	-	201,344,855	1,256,968,485

Currency								
Items	US Dollar	Euro	Sterling Pound	Japanese Yen	Syrian lira	Other	Total	
	JD	JD	JD	JD	JD	JD	JD	
2015								
Total assets	1,464,231,892	92,339,074	244,762,121	668,093	49,067,807	506,175,314	2,357,244,301	
Total liabilities	1,475,737,704	136,645,437	115,010,839	1,332,283	64,906,709	365,638,366	2,159,271,338	
Net position	(11,505,812)	(44,306,363)	129,751,282	(664,190)	(15,838,902)	140,536,948	197,972,963	
Off-financial position contingent liabilities								
	692,870,238	450,762,319	65,731,893	1,669,026	5,105,720	261,733,369	1,477,872,565	

Liquidity Risk

Liquidity risk is defined as the Bank's failure to provide the required funding to cover its obligations at their respective due dates.

Liquidity risk is managed through the following:

- Daily funding is managed through monitoring future cash flows and maintaining presence in the cash market.
- Holding assets that could be liquidated within a short period of time to meet any unexpected liquidity requirements.
- Monitoring liquidity ratios according to internal requirements and those of regulatory authorities.
- Managing concentrations in assets/liabilities and their maturities.
- Maintaining a portion of the customer's deposits as a reserve with the Central Banks as a restricted reserve that cannot be utilized except under certain conditions according to regulatory authorities.

Liquidity is measured on the basis of normal and emergency conditions. This includes analyzing the remaining period of contractual maturity and consolidated financial assets on the basis of their expected recoverability.

The treasurer is in charge of controlling the liquidity status of the Bank Group taking into consideration loans and unutilized facilities, utilizing overdrafts and monitoring any commitments related to letters of credit and guarantees that may arise.

Sources of Funding:

The Bank works to diversify its sources of funds including geographical sectors, currencies, customers, facilities, and conditions in order to attain financial flexibility and lower financing costs, in addition to maintaining stable financing sources.

The Bank has a large customer base of individuals and corporations with varying deposit accounts, of which 57% are stable and dominated in JD. The Bank maintain 38.8% of the Jordanian dominated saving accounts in the Jordanian banking market.

The following table illustrates the distribution of the liabilities (un-discounted) on the basis of the remaining period from the date of the consolidated financial statements until the date of contractual maturity.

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
2016								
LIABILITIES								
Banks and financial institutions deposits	304,600,436	44,885,884	-	46,618,877	17,729,767	-	80,073,404	493,908,368
Customers' deposits	1,152,786,803	(853,620,317)	328,068,499	194,104,252	1,377,673,155	1,606,353,907	1,948,983,491	5,754,349,790
Margin accounts	50,806,725	37,655,624	25,622,712	46,168,581	63,839,596	103,596,969	9,494,264	337,184,471
Loans and borrowings	-	13,637,931	11,273,731	8,684,796	5,335,000	-	170,492	39,101,950
Sundry provisions	131,343	262,687	394,030	788,060	3,152,242	18,913,451	32,382,556	52,024,369
Income tax provision	9,319,497	-	32,729,245	4,404,792	9,520,025	1,026,871	-	57,000,430
Deferred tax liabilities	-	-	-	-	2,056,712	-	-	2,056,712
Other liabilities	74,908,344	768,928	9,356,827	901,487	-	-	51,227,536	137,163,122
TOTAL	1,592,553,148	(756,409,263)	407,445,044	301,670,845	1,478,306,497	1,729,891,198	2,122,331,743	6,876,789,212
TOTAL ASSETS	1,677,631,617	458,510,290	380,965,190	846,856,484	2,445,939,813	1,524,080,128	486,241,673	7,820,225,195
2015								
LIABILITIES								
Banks and financial institutions deposits	243,677,527	55,160,305	93,836,670	7,052,048	10,716,200	-	125,883,625	536,326,375
Customers' deposits	613,681,756	183,896,596	200,640,321	125,482,551	675,152,558	895,350,273	3,190,980,344	5,885,184,399
Margin accounts	(452,991,719)	(99,196,881)	(74,563,540)	(5,902,512)	(456,090,596)	(439,727,683)	1,767,883,327	239,410,396
Loans and borrowings	-	8,583,150	10,844,906	7,000,731	5,378,000	-	-	31,806,787
Sundry provisions	129,256	258,513	387,769	775,538	3,102,153	18,612,918	20,982,276	44,248,423
Income tax provision	10,506,584	-	28,927,177	2,287,060	1,246,264	2,134,477	-	45,101,562
Deferred tax liabilities	-	-	-	-	2,056,712	-	-	2,056,712
Other liabilities	49,523,081	335,441	20,820,830	258,758	1,409,845	-	64,175,071	136,523,026
TOTAL	484,526,485	149,037,124	280,894,133	136,954,174	242,971,138	476,369,985	5,169,904,643	6,920,657,680
TOTAL ASSETS	1,710,383,474	619,027,770	480,868,644	1,228,980,342	2,050,909,052	1,393,679,530	438,839,916	7,922,698,728

Commitments and contingent liabilities:

	Up to 1 Year	1-5 Years	Over 5 Years	Total
	JD	JD	JD	JD
2016				
Letters of credit and acceptances	451,643,158	146,977,307	3,041,739	601,662,204
Un- utilized ceilings	576,845,094	12,461,973	-	589,307,067
Letters of guarantee	631,186,669	45,411,696	5,126	676,603,491
Total	1,659,674,921	204,850,976	3,046,865	1,867,572,762
2015				
Letters of credit and acceptances	653,894,206	108,243,017	-	762,137,223
Un- utilized ceilings	521,761,027	29,623,087	-	551,384,114
Letters of guarantee	720,741,625	60,101,364	3,036	780,846,025
Total	1,896,396,858	197,967,468	3,036	2,094,367,362

1- SEGMENT ANALYSIS

Information on the bank segment activities

A- Information on the Bank Activities:

For management purposes, the Bank is organized into four major business segments according to reports sent to the chief operating officer:

Retail Banking: Principally handling individual customers' and small businesses' deposits and providing loans, overdrafts, credit cards and other services.

Corporate Banking: Principally handling deposits and credit facilities and other financial services for corporate and institutional customers.

Corporate Finance: Principally arranging structured finance and providing services relating to privatizations, IPO's, mergers and acquisitions.

Treasury: Principally providing trading and treasury services and the management of the Bank's funds in money and capital markets.

The following table shows the Bank's business segments:

	Retail Banking	Corporate	Corporate Finance	Treasury	Others	Elimination	Total	
							2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD
Gross Income	188,975,654	173,455,597	6,557,107	143,566,734	17,335,414	(73,414,191)	456,476,315	462,307,044
Impairment of credit facilities	(416,130)	(11,459,142)	-	-	(1,000,000)		(12,875,272)	(20,176,201)
Impairment of Financial Assets	-	-	-	(900,000)	-		(900,000)	-
Segment results	76,451,676	98,297,856	2,750,145	34,119,092	3,982,824		215,601,593	190,818,646
Unallocated expenses							(25,265,462)	(13,798,530)
Income before tax							190,336,131	177,020,116
Income Tax							(59,323,518)	(52,292,082)
Profit for the year							131,012,613	124,728,034
Segment Assets	3,982,390,600	2,636,962,471	123,364,482	3,476,808,177	1,371,154,552		11,590,680,282	11,889,483,484
Elimination of assets between segments	(2,364,911,314)	-	-	(589,472,436)	(856,810,044)		(3,811,193,794)	(4,000,645,500)
Unallocated assets	-	-	-	-	-		40,738,707	33,860,744
Total Assets							7,820,225,195	7,922,698,728
Segment Liabilities	3,918,297,181	2,715,331,400	118,126,377	3,338,818,428	432,949,329		10,523,622,715	10,817,134,829
Elimination of liabilities between segments	-	(918,331,490)	(27,171,748)	(2,820,001,536)	-		(3,765,504,774)	(3,935,833,068)
Unallocated liabilities							2,056,712	2,056,712
Total Liabilities							6,760,174,653	6,883,358,473
Capital expenditures							30,266,996	36,012,093
							15,628,444	14,097,233

B- Geographical Distribution:

The following is the geographical distribution of the Bank's operations. The Bank conducts its operations mainly in the Kingdom (local operations). Moreover, the Bank conducts international operations through its branches and subsidiaries in the Middle East, Asia, Africa and Europe.

Here below is the distribution of the Bank's income, assets, and capital expenditure inside and outside the Kingdom "Based on the Bank's internal policy, the way it is being measured and based on the reports used by the General Manager and the main decision maker in the Bank":

	Inside Jordan		Outside Jordan		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Gross income	351,380,907	374,332,562	105,095,408	87,974,482	456,476,315	462,307,044
Total assets	6,919,703,435	5,980,592,775	900,551,760	1,942,105,953	7,820,255,195	7,922,698,728
Capital expenditures	25,048,238	29,942,546	5,218,758	6,069,547	30,266,996	36,012,093

42- CAPITAL MANAGEMENT:

Through the management of its paid-up capital, the Bank seeks to achieve the below goals:

- Compliance with the Central Bank capital related requirements.
- Maintaining its ability as a going concern.
- Having a strong capital base for supporting the Bank's expansion and development.

Capital adequacy is reviewed monthly, and reported quarterly to the Central Bank.

According to the Central Bank Instructions, the minimum requirement for capital adequacy is 12%. Banks are classified into 5 categories, the best of which is having an average capital adequacy equal to or more than 14%.

The Bank restructures and modifies its capital according to the business environment. There are no amendments in the goals, policies and procedures related to capital management during the current year.

The schedule below shows the capital components, amount, total risk weighted assets, and capital adequacy ratios according to the instructions of the Central Bank, based on the instructions of Basel III Committee.

	2016
	JD
1. Common Equity Tier 1 Capital	
Paid-in capital	252,000,000
Retained earnings	166,622,054
Other comprehensive income	(111,060,231)
Net fair value reserve	(344,677)
Foreign currency translation Reserve	(110,715,554)
Share premium	357,925,469
Voluntary reserve	189,039,398
Statutory reserve	33,222,068
Other reserve	7,752,032
Non-controlling Interest	12,647,352
Total capital of common stock	908,148,142
Regulatory amendments (Propositions of the capital)	(66,390,023)
Goodwill and other intangible assets	(24,351,994)
Deferred tax assets	(40,738,707)
Investments in capital of non consolidated subsidiaries	(24,409)
Mutual fund investments in the capital of Banking, Financial and Insurance Entities (within CET1)	(1,274,913)
Total primary capital	841,758,119
2. Additional Tier 1	
Non-controlling Interest	2,231,886
Total additional capital	2,231,886
Regulatory amendments (Propositions of the capital)	-
Net additional capital	2,231,886
Net additional capital Tier 1.	843,990,005
3. Tier 2	
General banking risk reserve	36,101,000
Non-controlling Interest	2,975,847
Total capital cushions	39,076,847
Regulatory amendments (Propositions of the capital)	(16,272)
Investments in capital of non consolidated subsidiaries	(16,272)
Net additional capital Tier 2	39,060,575
Regulatory capital	883,050,580
Total weighted assets risk average.	5,187,555,270
Capital Adequacy Ratio %	17.02%

The schedule below shows the capital components, amount, total risk weighted assets, and capital adequacy ratios according to the instructions of the Central Bank, based on the instructions of Basel II Committee.

	2015
	JD
Primary capital items	
Paid-in capital	252,000,000
Statutory reserve	172,277,768
Voluntary reserve	33,222,068
Special reserve	7,272,603
Share premium	357,925,469
Retained earnings	102,731,682
Goodwill and other intangible assets	(23,285,544)
Assets repossessed	-
Investments in the capital of other Banking, Financial and Insurance Entities	(1,797,057)
Shortage in additional capital	(57,715,359)
Total primary capital	842,631,630
Supplementary capital	
Foreign currency translation reserve	(89,872,167)
Revaluation reserve for financial assets -net	(244,192)
General banking risks reserve	32,401,000
Deficit in additional capital	57,715,359
Total Supplementary Capital	-
Total Regulatory Capital	842,631,630
Total Weighted Assets Risk Average	4,948,167,070
Capital Adequacy Ratio %	17.03%
Primary Capital Ratio %	17.03%

43- LEVELS OF THE FAIR VALUE

The following table analyzes the financial instruments recorded at fair value based the valuation method, which is defined at different levels as follows:

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

Level 2: Information other than included in the advertised price level 1, which is monitored for the asset or liability, either directly (such as prices) or indirectly (ie, derived from the prices).

Level 3: Information on the asset or liability is not based on those observed in the market (unobservable).

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
<u>2016</u>				
Financial assets				
Financial assets at fair value through other comprehensive income	-	580,524	-	580,524
Financial assets at fair value through P&L	5,031,310	16,926,409	-	21,957,719
Total financial assets	5,031,310	17,506,933	-	22,538,243
<u>2015</u>				
Financial assets				
Financial assets at fair value through other comprehensive income	-	580,524	-	580,524
Financial assets at fair value through P&L	5,296,207	16,926,409	-	22,222,616
Total financial assets	5,296,207	17,506,933	-	22,803,140

44- FIDUCIARY ACCOUNTS

Investment accounts managed on behalf of customers amounted to JD 739 Thousands as of 31 December 2017 against JD 842 million as of 31 December 2015. These accounts are not included in the assets and liabilities of the Bank financial statements. The management commissions and fees on these accounts are recorded in the consolidated income statement.

45- ASSETS AND LIABILITIES EXPECTED MATURITIES

The following table illustrates the assets and liabilities according to expected maturity periods:

2016	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
Assets			
Cash and balances with Central Banks	885,855,131	166,646,835	1,052,501,966
Balances with banks and financial institutions	549,833,560	-	549,833,560
Deposits with banks and financial institutions	22,299,785	496,109	22,795,894
Financial assets at fair value through profit or loss	4,527,926	17,429,793	21,957,719
Direct credit facilities – net	1,287,369,548	2,754,696,921	4,042,066,469
Financial assets at fair value through other comprehensive income	-	580,524	580,524
Other financial assets at amortized cost	560,821,450	1,231,079,251	1,791,900,701
Property and equipment – net	-	168,524,627	168,524,627
Intangible assets - net	-	24,351,994	24,351,994
Deferred tax assets	-	40,738,707	40,738,707
Other assets	53,256,181	51,716,853	104,973,034
Total assets	3,363,963,581	4,456,261,614	7,820,225,195
Liabilities			
Banks and financial institutions deposits	475,722,883	17,440,259	493,163,142
Customers' deposits	2,706,656,739	2,940,870,354	5,647,527,093
Margin accounts	159,336,791	169,564,492	328,901,283
Loans and borrowings	33,168,010	5,170,492	38,338,502
Sundry provisions	1,576,120	54,448,249	56,024,369
Income tax provision	46,453,534	10,546,896	57,000,430
Deferred tax liabilities	-	2,056,712	2,056,712
Other liabilities	85,935,586	51,227,536	137,163,122
Total liabilities	3,508,849,663	3,251,324,990	6,760,174,653
Net	(144,886,082)	1,204,936,624	1,060,050,542

2015	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
Assets			
Cash and balances with Central Banks	883,741,212	153,390,281	1,037,131,493
Balances with banks and financial institutions	655,755,916	-	655,755,916
Deposits with banks and financial institutions	24,624,589	-	24,624,589
Financial assets at fair value through profit or loss	4,439,753	17,782,863	22,222,616
Direct credit facilities – net	1,123,036,091	2,371,649,729	3,494,685,820
Financial assets at fair value through other comprehensive income	-	580,524	580,524
Other financial assets at amortized cost	1,296,299,645	1,068,883,845	2,365,183,490
Property and equipment – net	-	158,572,865	158,572,865
Intangible assets - net	-	24,803,749	24,803,749
Deferred tax assets	-	36,856,464	36,856,464
Other assets	51,373,024	50,908,178	102,281,202
Total assets	4,039,270,230	3,883,428,498	7,922,698,728
Liabilities			
Banks and financial institutions deposits	535,535,925	-	535,535,925
Customers' deposits	3,027,419,902	2,782,333,961	5,809,753,863
Margin accounts	162,510,100	116,598,387	279,108,487
Loans and borrowings	26,030,475	5,000,000	31,030,475
Sundry provisions	1,551,076	42,697,347	44,248,423
Income tax provision	41,720,821	3,380,741	45,101,562
Deferred tax liabilities	-	2,056,712	2,056,712
Other liabilities	70,938,110	65,584,916	136,523,026
Total liabilities	3,865,706,409	3,017,652,064	6,883,358,473
Net	173,563,821	865,776,434	1,039,340,255

46- CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES (STATEMENT OF FINANCIAL POSITION)

A- Credit commitments and contingent liabilities:

	<u>2016</u> JD	<u>2015</u> JD
Letters of credit	526,932,099	714,340,875
Acceptances	74,730,105	47,796,348
Letters of guarantee:		
• Payment	131,644,049	140,858,492
• Performance	135,504,853	159,162,395
• Other	409,454,589	480,825,138
Irrevocable commitments to extend credit	589,307,067	551,384,114
Total	<u>1,867,572,762</u>	<u>2,094,367,362</u>

B- Contractual commitments:-

	<u>2016</u> JD	<u>2015</u> JD
Purchase of property and equipment contracts	910,742	1,233,813
Construction Projects contracts	7,442,237	17,644,979
Other purchases contracts	12,353,270	4,943,087
Total	<u>20,706,249</u>	<u>23,821,879</u>

47- LAWSUITS AGAINST THE BANK

There are lawsuits raised against the Bank amounting to JD 33,812 million as of 31 December 2016 (JD 34,14 million as of 31 December 2015). In the opinion of Bank's management and the legal advisor, no material liabilities will arise as a result of these lawsuits exceeding the related provision amounting to JD 520,677 as of 31 December 2016 (JD 346,762 as of 31 December 2015).

48- NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS 9 Financial Instruments

During July 2014, the IASB issued IFRS 9 "Financial Instruments" with all the three phases. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011. The new version of IFRS 9 will be implemented at the mandatory date on 1 January 2018, which will have an impact on the recognition and measurement of financial assets.

IFRS 16 Leases

During January 2016, the IASB issued IFRS 16 “Leases” which sets out the principles for the recognition, measurement, presentation and disclosure of leases.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 introduced a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases. IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers; and SIC-31 Revenue—Barter Transactions Involving Advertising Services. The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB’s Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The amendments will be effective for annual periods beginning on or after 1 January 2017, with early application permitted. The application of amendments will result in adding limited amount of disclosure information.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, a temporary exemption from implementing IFRS 9 to annual periods beginning before 1 January 2021 at latest and an overlay approach that allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

Transfers of Investment Property (Amendments to IAS 40)

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

Entities should apply the amendments prospectively and effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. Entities may apply the amendments on a fully retrospective or prospective basis. The new interpretation will be effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed

49- COMPARATIVE FIGURES

Some of the year 2015 figures have been reclassified to correspond with the year 2016 presentation. There is no effect on the income and equity for the year 2015.