AJIB

بنك الإستثمار العربي الأردني

884

Ref. : D H / L B
Date : 29th Marhc, 2018

To : Amman Stock Exchange

Subject : Audited Financial Statement for the Fiscal Year ended 31/12/2017

Attached the Audited Financial Statement of Arab Jordan Investment Bank (AJIB) for the Fiscal year ended 31/12/2017, which is subject to CBJ review and approval .

Kindly accept our highly appreciation and respect.

Yours Faithfully,

Dirar Haddadin
AGM / CFO

بورصة عمان
الدائــرة الإدارية والمالية
الديــوان
٢٩ آذار ٢٠١٨
الرقم المتسلسل: ١٧٠٦
رقم الملــف: ٥١١١
الجهة المختصة: الإدراج والتحليل

الإدارة العامة - هاتف: ٥٦٠٧١٣٨ ٦ (٩٦٢+) - فاكس: ٥٦٨١٤٨٢ ٦ (٩٦٢+) - سويفت AJIBJOAX - ص.ب: ٨٧٩٧ عمان ١١١٢١ الأردن
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INDEPENDENT AUDITORS' REPORT
To the Shareholders of Arab Jordan Investment Bank
Amman – Jordan

Report on the Audit of the consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Arab Jordan Investment Bank (a public shareholding company) and its subsidiaries "the Group", which comprise the consolidated statement of financial position as at 31 December 2017, and 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 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 Group as at 31 December 2017, and 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 Group 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.

Other Matter

The consolidated financial statements for the year ended 31 December 2016 were audited by Deloitte & Touche (Middle East) – Jordan as the sole auditor of the Group for the year 2016. Unqualified opinion was issued on the consolidated financial statements on 05 February 2017. Deloitte & Touche (Middle East) – Jordan and Ernst & Young – Jordan were appointed as joint auditors of the Group for the year 2017 in accordance with Central Bank of Jordan regulations for corporate governance.

The accompanying financial statements are a translation to English for statutory financial statements in Arabic to which reference should be made.

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 2017. 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.

1. Adequacy of Credit Facilities Impairment Provision Refer to the note 9 on the consolidated financial statements	
Key Audit matter	How the key audit matter was addressed in the audit
The provision for credit facilities impairment is significant to the Group's financial statements. Moreover, its calculation requires making assumptions and management's use of estimates for the drop in credit ratings and un-collectability due to some sectors' deteriorating financial and economic conditions and inadequate guarantees, and the suspension of interest arising from default according to regulatory authorities' instructions. Moreover, the net credit facilities granted by the Group to customers amounted to JD 755 million, representing 41% of total assets as of 31 December 2017. The nature and characteristics of credit facilities granted to customers do vary from one sector to another, and from one country to another, due to the Group's operation in several geographical locations. Consequently, the calculation method of the provision for credit facilities impairment varies due to diverse sectors and different risk assessments for those countries, as well as due to their legal and statutory requirements and the requirements of the Central Bank of Jordan.	The performed audit procedures included understanding the nature of credit facilities portfolios, examining the internal control system adopted in granting, booking and monitoring credit, and evaluating the reasonableness of management's estimates of the provision for credit facilities impairment, collection procedures and follow- up, as well as suspension of interest. Furthermore, we reviewed and understood the Group's policy for calculating the provisions. We also selected and reviewed a sample of performing, watch list, and non-performing credit facilities at the Group's level as a whole. In addition, we evaluated the factors affecting the calculation of the provision for credit facilities impairment such as evaluating available guarantees and collaterals, customers' financial solvency, management's estimates of expected cash flows, and regulatory authorities' statutory requirements. We also discussed these factors with executive management to verify the adequacy of recorded provisions. Moreover, we re-calculated the provisions to be taken for those accounts and verified suspension of interest on non-performing or defaulted accounts and the Group's adherence to the regulatory authorities' instructions and International Accounting Standard No. (39), and assumptions used for the calculation of the provision for credit facilities impairment. Meanwhile, we also evaluated disclosure adequacy relating to credit facilities and provision for credit facilities impairment as set out in Note (9).

2. Financial assets at amortized cost Refer to the note 10 and 47 on the (consolidated) financial statements	
Key Audit matter	How the key audit matter was addressed in the audit
The Group holds financial assets at amortized cost of JD597 million, representing 32% of total assets as of 31 December 2017. Moreover, the Group should measure the impairment in their value through comparing the recorded value to their fair value. Fair value determination of financial assets requires the Group's management to make several judgments and assessments and to rely on non-listed prices input. Consequently, management's fair value estimation of these assets was significant to our audit.	Audit procedures included evaluating internal procedures relating to determination of the fair value of financial assets at amortized cost. Moreover, these estimates have been compared to the requirements of International Financial Reporting Standards and discussed in light of available information. The audit procedures also included evaluating the adopted methodology, appropriateness of valuation models, and inputs used to determine the fair value of financial assets at amortized cost. They also included reviewing the reasonableness of the most significant inputs in the valuation process through reviewing investee companies' financial statements or obtaining secondary market prices as well as other reviewed inputs. We also evaluated disclosure adequacy set out in Notes (10) and (47).

Other information included in the Group's 2017 annual report.

Other information consists of the information included in The Group's 2017 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2017 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 exist. 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, 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 Group 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 Group maintains proper books of accounts which are in agreement with the financial statements.

Amman- Hashemite Kingdom of Jordan
31 January 2018

Ernst & Young – Jordan
Waddah Barkawi

Deloitte & Touche (Middle East) - Jordan
Karim Nabulsi

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2017	2016
		JD	JD
Assets			
Cash and balances at Central Bank of Jordan	4	70,179,969	73,679,105
Balances at banks and financial institutions	5	254,895,109	224,106,568
Deposits at banks and financial institutions	6	16,535,460	27,312,114
Financial assets at fair value through profit or loss	7	169,390	223,760
Financial assets at fair value through comprehensive income	8	14,817,140	15,066,496
Direct credit facilities - net	9	755,162,896	753,206,802
Financial assets at amortized cost - net	10	597,569,867	594,028,333
Investment in associate company	11	19,947,778	17,376,287
Property and equipment – net	12	68,754,517	65,692,484
Intangible assets - net	13	930,783	1,688,482
Deferred tax assets	20-D	932,646	936,420
Other assets	14	38,130,272	36,267,905
Total Assets		1,838,025,827	1,809,584,756
Liabilities and Equity			
Liabilities:			
Banks and financial institutions' deposits	15	487,339,879	420,474,428
Customers' deposits	16	1,050,715,661	1,077,556,467
Borrowed money from the Central Bank of Jordan	17	161,422	-
Cash margins	18	59,693,044	62,460,574
Sundry provisions	19	1,923,950	1,984,077
Income tax provision	20-A	7,785,786	9,975,825
Other liabilities	21	11,047,721	16,719,105
Total Liabilities		1,618,667,463	1,589,170,476
Equity:			
Equity attributable to Bank's shareholders			
Paid-up capital	22	150,000,000	150,000,000
Share issuance premium	23	1,418,000	1,418,000
Statutory reserve	24	29,279,131	26,957,710
General banking risks reserve	24	5,888,551	5,788,551
Foreign currency translation adjustments	25	(2,379,220)	(4,178,654)
Fair value reserve – net after tax	26	(1,673,812)	(1,429,227)
Retained earnings	27	16,168,304	20,603,714
Total Equity attributable to the Bank's shareholders		198,700,954	199,160,094
Non – controlling interest	29	20,657,410	21,254,186
Total Equity		219,358,364	220,414,280
Total Liabilities and shareholders' Equity		1,838,025,827	1,809,584,756

Chairman **General Manager**

The accompanying notes from (1) to (50) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK

(A PUBLIC SHAREHOLDING LIMITED COMPANY)

AMMAN – JORDAN

CONSOLIDATED STATEMENT OF INCOME

	Notes	For the year ended 31 December 2017	2016
		JD	JD
Interest income	30	80,807,691	78,139,623
Interest expense	31	(35,813,651)	(27,835,611)
Net interest income		44,994,040	50,304,012
Commissions and fees income - Net	32	8,468,863	8,061,629
Net interest and commissions income		53,462,903	58,365,641
Foreign currencies income	33	3,586,162	3,905,020
(Loss) from financial assets at fair value through profit or Loss	34	(7,924)	(145,095)
Cash dividends from financial assets at fair value through comprehensive income	35	383,644	436,622
Other income	36	1,717,082	4,518,123
Total income		59,141,867	67,080,311
Employees expenses	37	16,740,195	17,138,820
Depreciation and amortization	12, 13	3,068,516	2,607,462
Other expenses	38	11,726,260	11,396,488
Provision for impairment of direct credit facilities	9	1,771,667	2,068,886
Sundry provisions	10, 14&19	833,029	956,526
Total expenses		34,139,667	34,168,182
(Loss) from the sale of a subsidiary company	2	-	(557,650)
Bank's share in the income of associate company	11	772,057	1,119,586
Profit before income tax		25,774,257	33,474,065
Income tax expense	20-B	(8,599,308)	(10,835,765)
Profit for the year		17,174,949	22,638,300
Attributable to:			
Bank's shareholders		15,984,051	21,006,184
Non – controlling interest		1,190,898	1,632,116
		17,174,949	22,638,300
		JD/Fils	JD/Fils
Basic and diluted earnings per share	39	0,107	0,140

Chairman **General Manager**

The accompanying notes from (1) to (50) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2017	2016
	JD	JD
Profit for the year	17,174,949	22,638,300
Comprehensive income items:		
Foreign currency translation adjustments - associate company (convertible to income statement)	1,799,434	(3,423,912)
Cumulative change in fair value for financial assets through comprehensive income - net after tax (non-convertible to income statement)	(439,271)	(562,450)
(Loss) gain from the sale of financial assets through comprehensive income (non-convertible to income statement)	4,222	(10,011)
Total other comprehensive income	1,364,385	(3,996,373)
Total comprehensive income for the year	18,539,334	18,641,927
Total comprehensive income attributable to:		
Bank's shareholders	17,540,860	17,045,428
Non - controlling interest	998,474	1,596,499
	18,539,334	18,641,927

The accompanying notes from (1) to (50) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMNET OF CHANGES IN SHAREHOLDERS' EQUITY

			Reserves							
	Paid-up capital	Share issuance premium	Statutory reserve	General banking risks reserve**	Foreign currency Translation Adjustments	Fair value reserve - net after tax ****	Retained earnings***	Total shareholders' equity	Non - controlling interest	Total equity
For the year ended 31 December 2017	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year	150,000,000	1,418,000	26,957,710	5,788,551	(4,178,654)	(1,429,227)	20,603,714	199,160,094	21,254,186	220,414,280
Profit for the year	-	-	-	-	-	-	15,984,051	15,984,051	1,190,898	17,174,949
Cumulative change in fair value - net after tax	-	-	-	-	-	(246,847)	-	(246,847)	(192,424)	(439,271)
Gain from sale financial assets through comprehensive income	-	-	-	-	-	2,262	1,960	4,222	-	4,222
Foreign currency translation adjustments - associate company	-	-	-	-	1,799,434	-	-	1,799,434	-	1,799,434
Total comprehensive income	-	-	-	-	1,799,434	(244,585)	15,986,011	17,540,860	998,474	18,539,334
Dividends distributed *	-	-	-	-	-	-	(18,000,000)	(18,000,000)	-	(18,000,000)
Transfer to statutory reserves	-	-	2,321,421	100,000	-	-	(2,421,421)	-	-	-
Change in non-controlling interest	-	-	-	-	-	-	-	-	(1,595,250)	(1,595,250)
Balance - end of the year	150,000,000	1,418,000	29,279,131	5,888,551	(2,379,220)	(1,673,812)	16,168,304	198,700,954	20,657,410	219,358,364
For the year ended 31 December 2016										
Balance - beginning of the year	150,000,000	1,418,000	23,917,637	5,788,551	(754,742)	(1,017,821)	20,747,416	200,099,041	21,509,930	221,608,971
Profit for the year	-	-	-	-	-	-	21,006,184	21,006,184	1,632,116	22,638,300
Cumulative change in fair value - net after tax	-	-	-	-	-	(526,833)	-	(526,833)	(35,617)	(562,450)
Gain from sale financial assets through comprehensive income	-	-	-	-	-	115,427	(125,438)	(10,011)	-	(10,011)
Foreign currency translation adjustments - associate company	-	-	-	-	(3,423,912)	-	-	(3,423,912)	-	(3,423,912)
Total Comprehensive Income	-	-	-	-	(3,423,912)	(411,406)	20,880,746	17,045,428	1,596,499	18,641,927
Dividends distributed	-	-	-	-	-	-	(18,000,000)	(18,000,000)	-	(18,000,000)
Transfer to statutory reserves	-	-	3,052,573	-	-	-	(3,052,573)	-	-	-
Effect of the sale of a subsidiary company	-	-	(12,500)	-	-	-	28,125	15,625	(28,125)	(12,500)
Change in non-controlling interest	-	-	-	-	-	-	-	-	(1,824,118)	(1,824,118)
Balance - end of the year	150,000,000	1,418,000	26,957,710	5,788,551	(4,178,654)	(1,429,227)	20,603,714	199,160,094	21,254,186	220,414,280

* According to the resolution of the Bank's General Assembly meeting held on 27 April 2017 it was approved to distribute 12 % of the Bank's capital as cash dividends to the shareholders which is equivalent to JD 18 million.

In accordance to the instructions of the regulatory authorities

** The general banking risk reserve cannot be utilized without the approval of the Central Bank of Jordan.

*** Retained earnings include a restricted amount of JD 932,646 against deferred tax benefits as of 31 December 2017. This restricted amount cannot be utilized through capitalization or distribution unless actually realized in accordance to the Central Bank of Jordan regulations.

**** The negative fair value reserve which amounts to JD (1,673,812) cannot be utilized through capitalization, distribution or any other way unless realized from the actual sales transactions in accordance to the Central Bank of Jordan regulations.

The accompanying notes from (1) to (50) constitute an integral part of these statements and should be read with them.

ARAB JORDAN INVESTMENT BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2017	2016
		JD	JD
Cash flows from operating activities			
Profit before income tax		25,774,257	33,474,065
Adjustments for non-cash items:			
Depreciation and amortization	12, 13	3,068,516	2,607,462
Provision for impairment of direct credit facilities	9	1,771,667	2,068,886
Unrealized loss on financial assets at fair value through profit or loss	34	19,242	41,036
Provision for end-of-service indemnity	19	236,529	420,026
Provision for assets seized by the Bank	14	500,000	500,000
Provision for financial assets at amortized cost	10	36,500	36,500
Sundry provisions	19	60,000	-
(Gain) from the sale of property and equipment	36	(27,147)	(628,402)
(Gain) loss from the sale of assets seized by the Bank	36	(7,946)	3.856
Loss from the sale of a subsidiary company	2	-	557,650
Effect of exchange rate fluctuations on cash and cash equivalents		(136,658)	(171,599)
Bank's share from (gain) of investment in associate company	11	(772,057)	(1,119,586)
Cash profit before changes in assets and liabilities		30,522,903	37,789,894
Changes in assets and liabilities:			
Deposits with banks and other financial institutions (maturing over 3 months)		10,776,654	(5,290,331)
Financial assets at fair value through profit or loss		35,128	(199,149)
Direct credit facilities		(3,727,761)	(18,703,218)
Other assets		(2,354,421)	3,427,186
Banks and financial institutions deposits (maturing over 3 months)		80,000,000	(63,720,000)
Customers' deposits		(26,840,806)	37,456,522
Cash margins		(2,767,530)	(3,303,472)
Other liabilities		(5,878,951)	(1,114,957)
Net change in assets and liabilities		49,242,313	(51.447.419)
Net cash flows from operating activities before taxes and provisions paid		79,765,216	(13,657,525)
Provisions paid	19	(356,656)	(156,148)
Income tax paid	20-A	(10,785,573)	(10,440,663)
Net cash flows (used in) from operating activities		68,622,987	(24,254,336)
Cash flows from investing activities:			
Proceeds from the sale of a subsidiary company	2	-	106,200
Financial assets at amortized cost - net		(3,578,034)	(5,501,746)
Purchase sale of financial assets at fair value through other comprehensive income		(185,693)	(1,095,579)
Purchase of property and equipment	12	(5,527,593)	(6,181,321)
Sale / disposals of property and equipment and intangible asset		384,576	1,116,655
Purchase of intangible assets	13	(202,686)	(474,677)
Net cash flows (used in) investing activities		(9,109,430)	(12,030,468)
Cash flows from financing activities:			
Borrowed money from the Central Bank of Jordan		161,422	-
Change in non–controlling interest		(1,595,250)	(1,852,243)
Dividends paid to shareholders		(17,792,433)	(18,864,459)
Net cash flows (used in) financing activities		(19,226,261)	(20,716,702)
Net increase (decrease) in cash and cash equivalents		40,287,296	(57,001,506)
Effect of exchange rate fluctuations on cash and cash equivalents		136,658	171,599
Cash and cash equivalent - beginning of the year		(122,688,755)	(65,858,848)
Cash and cash equivalent - end of the year	40	(82,264,801)	(122,688,755)

The accompanying notes from (1) to (50) constitute an integral part of these statements and should be read with them.

1. GENERAL

The Arab Jordan Investment Bank is a public shareholding limited company with headquarters in Amman – Jordan, On January 1, 1978 it was registered according to the Companies Law and related subsequent amendments the last of which was amendment No, (22) for the year 1997. Moreover the Bank's authorized and paid-up capital was increased gradually the last of which was during the year 2014 to become JD 150 million at face value of JD 1 each.

The Bank is engaged in commercial banking activities through its (33) branches and offices in Jordan and (1) branch in Cyprus and its subsidiaries in Qatar and Jordan (Arab Jordan Investment Bank - (Qatar) LLC and the United Arab Jordan Company for Investment and Financial Brokerage).

The Bank's shares are listed and traded in the Amman Stock Exchange.

The consolidated financial statements have been approved by the Board of Directors in its meeting held on 31 January 2018 meeting number (267) and are subject to the approval of the Central Bank of Jordan and the General Assembly of Shareholders.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with the international financial reporting standards issued by the International Accounting Standards Board and the interpretations of the International Financial Reporting Interpretations Committee stemming from the International Accounting Standards Board and in conformity with the applicable laws and 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 and Loss and financial assets at fair value through Comprehensive Income and financial derivatives which have been measured at fair value at the date of the consolidated financial statements, Moreover hedged assets and liabilities are stated at fair value.

The consolidated financial statements are presented in Jordanian Dinar (JD) which is the base 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 2016 except for the followings as the Bank started applying the adjustments since 1 January 2017:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
Limited amendments which require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). However, the adoption of these amendments have no impact on the Bank's consolidated financial statements.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses
Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Bank's consolidated financial statements.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries were 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 transactions balances, income and expenses between the Bank and subsidiaries are eliminated. The following subsidiaries were consolidated in the Group's account:

Company's Name	Ownership Percentage	Company's Paid-up capital Equivalent	Head Quarter	Date of Incorporated	Company's Objectives
		JD			
United Arab Jordan Company for Investment and Financial Brokerage	100%	2,500,000	Amman-Jordan	February 5, 2002	Financial Brokerage
Arab Jordan Invest Bank / Qatar	50% + two shares	35,450,000	Doha - Qatar	December 5, 2005	Bank Activity

The following are the most significant financial information for the subsidiary companies:

	United Arab Jordan Company for Investment and Financial Brokerage		Arab Jordan Investment Bank / Qatar	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total assets	2,799,178	2,344,150	192,800,408	232,208,146
Total liabilities	137,148	121,774	151,485,588	189,699,769
Equity	2,662,030	2,222,376	41,314,820	42,508,377
	2017	2016	2017	2016
	JD	JD	JD	JD
Total revenue	97,802	75,578	6,992,250	8,162,039
Total expenses	328,468	745,898	4,610,458	4,897,805

The United Arab Jordan for Investment and Financial Brokerage Company (a subsidiary of the Bank) had sold in the year 2016 all its shares in Arab Advisors Company which represents 55% of the total shares for an amount of JD 106,200 which resulted in a loss from the sale amounted JD 557,650.

The financial statements of the subsidiaries are prepared for the same financial year of the Bank using the same accounting policies adopted by the Bank, If the accounting policies adopted by the Company are different from those used by the Bank the necessary adjustments to the financial statements of the subsidiaries are made to comply with the accounting policies used by the Bank.

The subsidiary companies results are consolidated in the consolidated income statement from the date of the acquisition, which is the date when the bank have the actual control over the subsidiary.

Non-controlling interest represents the portion that is not owned by the bank in the owner's equity in the subsidiary companies.

Segmental Information

Business sector represents a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business segments, which were measured according to the reports used by the General Manager and the Bank's decision maker.

Geographical sector relates to providing products or services in an economic environment subject to specific risks and returns different from those operating in other sectors of other economic environments.

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, which are measured at amortized cost.

A provision for the impairment in direct credit facilities is recognized when the bank can't recover its overdue amounts and when there is an evidence that the future cash flows of the direct credit facilities have been negatively impacted by an event and the impairment loss can be estimated and recorded in the consolidated statement of income.

Interest and commission earned on non-performing granted credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan and in accordance with the instructions of the regulatory authorities whichever is more conservative in countries where the bank has its branches or subsidiaries.

When direct credit facilities are uncollectible they are written off against the provision account, any surplus in the provision is reversed through the consolidated statement of income, and subsequent recoveries of amounts previously written off are credited to revenue.

Fair Value

Fair value represents the closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements. In case declared market prices do not exist active trading of some financial assets and derivatives is not available or the market is inactive fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Adoption of the option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest through discounting cash flows and amortizing premium / discount using the effective interest rate method within interest revenue / expense in the consolidated statement of income.

The valuation methods aims to provide a fair value reflecting the market's expectations taking into consideration the market expected risks and expected benefits when the value of the financial assets. When the financial assets fair value cant be reliably measured, they are stated at cost less any impairment.

Investment in Associate

An associate company is the company whereby the bank exercises effective influence over their decisions related to financial and operational policies without control, with the bank owning from (20%) to (50%) of the voting rights, and is stated in accordance to the equity method.

Revenues and expenses resulting from transactions between the bank and the associate company are eliminated according to the bank's ownership percentage in these company.

Financial Assets at Amortized Cost

Are the assets that the bank's management intends to hold for the purpose of collecting the contractual cash flows which represents the cash flows that are solely payments of principal and interest on the outstanding principal.

Financial assets are recorded at cost upon purchase plus acquisition expenses, Moreover the issue premium \ discount is amortized using the effective interest associated with the decline in value of these investments leading to the in ability to recover the investment or parts thereof are deducted, Any impairment is registered in the consolidated statement of income and should be presented subsequently at amortized cost less any impairment losses.

The amount of impairment loss recognised at amortized cost is the difference between the asset's carrying amount and the present value of estimated future cash flows discount at the original effective interest rate.

It is not allowed to reclassify any financial assets from/to this category except for certain cases that are specified by the International Financial Reporting Standards (And if in any cases these assets are sold before the maturity date the result of sale will be recorded in the consolidated statement of income in an separated disclosure and note about it according to the International Financial Reporting Standards in specific).

Financial Assets at Fair Value through Profit or Loss

It is the financial assets purchased by the bank for the purpose of trading in the near future and achieving gains from the fluctuations in the short-term market prices or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded in the consolidated statement of income upon acquisition) and subsequently measured in fair value, Moreover changes in fair value are recorded in the consolidated statement of income including the change in fair value resulting from translation of non-monetary assets stated at foreign currency, Gains or losses resulting from the sale of these financial assets or part of them are taken to the consolidated statement of income.

Dividends and interests from these financial assets are recorded in the consolidated statement of income.

It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standard.

Financial Assets at Fair Value through Comprehensive Income

These financial assets represents the investments in equity instruments held for the long term.

These financial assets are recognized at fair value plus transaction costs at purchase date and are subsequently measured at fair value in the consolidated statement of comprehensive income and within owner's equity including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or loss from the sale of these investments or part of them should be recognized in the consolidated statement of comprehensive income and within owner's equity and the balance of the revaluation reserve for these assets should be transferred directly to the retained earnings not to the consolidated statement of income.

No impairment testing is required for these assets.

Dividends are recorded in the consolidated statement of income.

Impairment in Financial Assets

The bank reviews the value of financial assets on the date of the consolidated statement of financial position in order to determine if there are any indications of impairment in their value individually or in the form of a portfolio, In case such indications exist the recoverable value is estimated so as to determine the impairment loss.

Impairment is determined as follows:

- The impairment in the financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- The impairment in the financial assets at cost is determined by the difference between book value and the present value of the expected future cash flows discounted in effective market price on any other similar financial assets.
- Impairment is recorded in the consolidated statement of income as does any surplus that occurs in subsequent years that is due to an previous impairment of the financial assets in the consolidated statement of income.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and any impairment loss in its value, Moreover Property and Equipment (except for land) are depreciated according to the straight-line method over the estimated useful lives when ready for use of these assets using the following annual rates.

	%
Buildings	2
Equipment furniture and fixtures	9-15
Vehicles	20
Computer	12-15
Others	2-12

When the carrying amount of property and equipment exceeds their recoverable value, assets are written down and impairment loss is recorded in the consolidated statement of income.

The useful lives of property and equipment are reviewed at the end of each year, In case the expected useful life is different from what was determined before the change in estimate is recorded in the following years being a change in estimates.

Property and equipment are derecognized when disposed or when there is no expected future benefit from their use.

Intangible Assets

A. Goodwill

Goodwill is recognized at cost and represents the excess of the acquisition costs or investment costs in an affiliate or a subsidiary over the net assets fair value of the affiliate or subsidiary as of the acquisition date. Goodwill arises from the investment in the subsidiary recognized as a separate item in intangible assets. Later on, goodwill will be reviewed and reduced by any impairment amount.

Goodwill is allocated to cash generating unit(s) to test impairments in its value.

Impairment testing is done on the date of the consolidated financial statements. Goodwill is reduced if the test indicates that there is impairment in its value, and that the estimated recoverable value of the cash generating unit(s) relating to goodwill is less than the book value of the cash generating unit(s). Impairment is recognized in the consolidated statement of income.

B. Other Intangible assets

Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.

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

No capitalization of intangible assets resulting from the banks' operations is made. They are rather recorded as an expense in the consolidated statement of income in the same year.

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

The intangible assets with a specified useful life appears of cost after deducting the annual amortization. These assets were amortized by using the straight-line method on the useful life using a percentage of 25% annually.

Provisions

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

Provision for employees' end-of-service indemnity

Provision for end of service indemnity is established by the Bank to fare any legal or contractual obligations at the end of employees' services and is calculated based on the service terms as of the financial statements date.

Income Tax

Income tax expenses represent accrued taxes and deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover taxable income differs from income declared in the consolidated financial statements because the latter includes non-taxable revenues or taxable expenses disallowed in the current year but deductible in subsequent years accumulated losses acceptable by the tax law and items not accepted for tax purposes or subject to tax.

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

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.

Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements and reduced in case it is expected that no benefit will arise from payment or the elimination of the need for deferred tax liabilities partially or totally.

Capital Cost of Issuing or Buying the Bank's Shares

Cost arising from the issuance or purchase of the bank's shares are charged to retained earnings (net of the tax effect of these costs if any). If the shares issuance or purchase process is incomplete these costs are recorded as expenses in the consolidated statement of income.

Accounts Managed on Behalf of Customers

These represent the accounts managed by the bank on behalf of its customers but do not represent part of the bank's assets. The fees and commissions on such accounts are shown in the consolidated statement of Income. A provision against the impairment in the capital-guaranteed portfolios managed on behalf of customers is taken.

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.

Realization of Income and Recognition of Expenses

Interest income is realized by using the effective interest method except for interest and commissions from non-performing credit facilities which are not recognized as income and are recorded in the interest and commissions in suspense account.

Expenses are recognised according to the accrual basis.

Commission is recorded as revenue when the related services are provided, Moreover dividends are recorded when realized (decided upon by the General Assembly of Shareholders).

Recognition of Financial Assets Date

Purchases and sales of financial assets are recognized on the trading date (which is the date on which the bank commits itself to purchase or sell the asset).

Hedge Accounting and Financial Derivatives

Financial Derivatives for Hedging:

Fair Value Hedges:

For the purpose of hedge accounting the financial derivatives appear at fair value.

A fair value hedge is a hedge against the exposure to changes in the fair value of the bank's recognised assets or liabilities.

When the conditions of an effective fair value hedge are met the resulting gains and losses from the valuation of the fair value hedge and the change in the fair value of the hedged assets or liabilities is recognised in the consolidated statement of income.

When the conditions of an effective portfolio hedge are met the gain or loss resulting from the revaluation of the hedging instrument at fair value as well as the change in the fair value of the assets or liabilities portfolio are recorded in the consolidated income statement for the same year.

Cash flow Hedges:

Hedge for the change in the current and expected cash flows exposures of the Bank’s assets and liabilities.

When the conditions of an effective cash flow hedge are met the gain or loss of the hedging instruments is recognized in the statement of comprehensive income and owner’s equity, such gain or loss is transferred to the consolidated statement of income in the period in which the hedge transaction impacts the consolidated statement of income.

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

Derivative financial instruments held for trading

Derivative financial instruments 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 balance sheet. Fair value is determined by reference to current market prices. In case such prices were not available, the method of valuation is stated. Changes in fair value are transferred to the income statement.

Assets Seized by the Bank against Due Debts

Assets that have been the subject of foreclosure by the bank are shown under "other assets" at the acquisition value or fair value whichever is lower. As of the consolidated statement of financial position date these assets are revalued individually at fair value, any decline in their market value is taken to the consolidated statement of income as a loss whereas any such increase is not recognized. Subsequent increase is taken to the income statement to the extent it does not exceed the previously recorded impairment.

Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognised in the bank's consolidated financial statements due to the bank's continuing exposure to the risks and rewards of these assets using the same accounting policies, (The buyer has the right to control such assets (by sale or pledge as collateral) which are reclassified as financial assets pledged as collateral), The proceeds of the sale are recorded under loans and borrowings, The difference between the sale and repurchase price is recognised as an interest expense over the agreement term using the effective interest method.

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

Foreign Currencies

Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transactions. Moreover financial assets and financial liabilities are translated to Jordanian Dinar based on the average exchange rates declared by the Central Bank of Jordan on the date of the consolidated financial statements.

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 recorded in the consolidated statement of income.

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 assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency to the currency used in the financial statements using the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan, Revenue and expense items are translated using the average exchange rates during the year and exchange differences are shown in a separate item within the consolidated statement of other comprehensive income equity, In case of selling one of the subsidiaries or branches the related amount of exchange difference is booked in revenues/expenses in the consolidated statement of income.

Profit or loss resulting from the foreign exchange of interest-bearing debt instruments and within financial assets at fair value through other comprehensive income is included in the consolidated statement of income. Differences in the foreign currency translation of equity instruments are included in the cumulative change in fair value reserve within owner’s equity in the consolidated statement of financial position.

Cash and Cash Equivalents

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

3. Use of Estimates

The preparation of the 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 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 and actual results may differ resulting in future changes in such provisions.

The management believes that their estimates are reasonable:

- A provision for credit facilities is taken on the bases and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs),The outcome of these bases and estimates is compared against the adequacy of the provisions as per the instructions of the central banks where the bank branches operate, the strictest outcome that conforms with (IFRSs) is used for the purpose of determining the provision.

- Impairment for assets seized by the Bank is recorded depending on a new valuation approved by certified valuators for the purpose of calculating impairment and it is assessed on an ongoing basis. And starting from the year 2015 the Bank has started to book a provision for assets seized by the Bank from due debts and which has been seized for more than four years in accordance to the Central Bank of Jordan publication 10/1/6740 dated on March 27, 2014.

- Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) is taken to the consolidated statement of income.

- A provision for income tax is recorded on the current year's profit and for accrued and assessed tax for the prior year in case of differences exceeding the provision due to not reaching a final settlement with the tax authorities for that year.

- A provision for lawsuits raised against the bank (if there is any need) is recorded based on a legal study prepared by the bank's legal advisor, moreover the study highlights any potential risks that the Bank may encounter in the future, such legal assessments are reviewed periodically.

- Provision for end of service indemnity, the obligations to the Bank’s employees are computed according to the labor law and the Bank’s regulations.

4. Cash and balances at the Central Bank of Jordan

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Cash in vaults	18,454,887	15,338,455
Balances at Central Bank of Jordan:		
Statutory cash reserve	51,725,082	50,340,650
Certificates of deposit *	-	8,000,000
Total	70,179,969	73,679,105

Except for the statutory cash reserve there are no restricted balances at the Central Bank of Jordan as of 31 December 2017 and 2016.

* There are no certificated of deposit maturing within a period exceeding three months as of 31 December 2017 and 2016.

5. Balances at banks and financial institutions

This item consists of the following:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current and call accounts	170,433	134,579	57,389,439	53,992,274	57,559,872	54,126,853
Deposits maturing within 3 months or less	18,302,183	37,876,118	179,033,054	132,103,597	197,335,237	169,979,715
Total	18,472,616	38,010,697	236,422,493	186,095,871	254,895,109	224,106,568

The balances at banks and financial institutions that bears no interest amounted to JD 57,559,263 as of 31 December 2017 (JD 54,125,501 as of 31 December 2016).

There are no restricted balances at banks and financial institutions as of 31 December 2017 and 2016.

6. Deposits at banks and financial institutions

This item consists of the following:

	Local banks and financial institutions		Foreign banks and financial institutions		Total	
	31 December		31 December		31 December	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Deposits maturing within 3-6 months	-	8,508,000	5,511,348	6,558,873	5,511,348	15,066,873
Deposits maturing from 6 to 9 months	-	-	5,511,348	8,772,561	5,511,348	8,772,561
Deposits maturing from 9 months to year	-	-	5,512,764	-	5,512,764	-
Deposits maturing in more than one year	-	3,472,680	-	-	-	3,472,680
Total	-	11,980,680	16,535,460	15,331,434	16,535,460	27,312,114

There are no restricted deposits at banks and financial institutions as of 31 December 2017 and 2016.

7. Financial assets at fair value through profit or loss

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Listed stocks in active markets	169,390	223,760
Total	169,390	223,760

8. Financial assets at fair value through comprehensive income

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Listed stocks in active markets	13,384,653	13,782,864
Unlisted stocks in active markets	1,432,487	1,283,632
Total	14,817,140	15,066,496

- Cash dividends on the investments above amounted to JD 383,644 for the year ended 31 December 2017 (JD 436,622 for the year ended 31 December 2016).

9. Direct credit facilities – net

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Individual (Retail):		
Loans	92,585,951	92,248,503
Credit cards	9,448,232	11,273,210
Housing loans	91,578,633	97,906,564
Large companies		
Loans *	246,844,342	217,137,484
Overdraft accounts	82,713,613	112,685,776
Small and medium companies		
Loans *	34,862,172	32,065,663
Overdraft accounts	8,209,895	12,399,580
Government & public sector	202,870,110	189,737,076
Total	769,112,948	765,453,856
Less: provision for impairment of direct credit facilities	(11,093,862)	(10,236,282)
Less: suspended interest	(2,856,190)	(2,010,772)
Net credit facilities	755,162,896	753,206,802

* Net after deducting interests and commission received in advance.

Non-performing credit facilities amounted to JD 16,220,840 representing 2.11% of direct credit facilities balance as of 31 December 2017 (JD 14,095,395 representing 1.84% of the granting balance for the previous year).

Non-performing credit facilities net of interest in suspense amounted to JD 13,918,004 representing 1.82% of direct credit facilities balance net of interest in suspense (JD 12,667,048 representing 1.66% for the previous year).

Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 179,452,826 representing 23.33% of total direct credit facilities (JD 163,263,623 representing 21.33% for the previous year).

Provision for impairment of direct credit facilities:

The following is the movement on the provision for impairment of direct credit facilities:

	Individuals	Housing loans	Large companies	Small and medium	Total
For the year ended 31 December 2017	JD	JD	JD	JD	JD
Balance – Beginning of the year	2,270,177	2,058,376	1,064,000	4,843,729	10,236,282
Provision for the year taken from revenues	783,777	-	-	987,890	1,771,667
Transferred to off-statement of financial position accounts *	(500,104)	(298,511)	-	(115,472)	(914,087)
Balance – End of the year	2,553,850	1,759,865	1,064,000	5,716,147	11,093,862
Provision on a single client basis	2,232,403	1,686,606	1,064,000	3,630,865	8,613,874
Provision for watch-list debts on a portfolio basis	321,447	73,259	-	2,085,282	2,479,988
	2,553,850	1,759,865	1,064,000	5,716,147	11,093,862
For the year ended 31 December 2016					
Balance – Beginning of the year	2,675,220	1,353,720	1,064,000	4,037,432	9,130,372
Provision for the year taken from revenues	209,970	746,716	-	1,112,200	2,068,886
used during the year	-	(24,248)	-	-	(24,248)
Transfer to off-statement of financial position accounts *	(615,013)	(17,812)	-	(305,903)	(938,728)
Balance – End of the year	2,270,177	2,058,376	1,064,000	4,843,729	10,236,282
Provision on a single client basis	1,991,695	1,987,424	1,064,000	3,262,264	8,305,383
Provision for watch-list debts on a portfolio basis	278,482	70,952	-	1,581,465	1,930,899
	2,270,177	2,058,376	1,064,000	4,843,729	10,236,282

* There are non-performing credit facilities with a balance of JD 64,763,502 and interest in suspense of JD 18,447,115 with a provision of JD 46,034,627 and cash margins of JD 281,760 as of 31 December 2017 (Non-performing credit facilities have a balance of JD 62,164,887 and it's suspended interests JD 16,146,179 and a provision JD 45,133,534 and cash margins JD 885,174 as of 31 December 2016) that have been recorded within off – statement of financial position account as per the board of directors decision as these credit facilities are fully covered as of the date of the consolidated financial statements.

- The provisions no longer needed due to settlements or repayments and transferred against other debts amounted to JD 3,215,082 for the year ended 31 December 2017 (JD 2,448,277 as of 31 December 2016).

Interest in suspense:

The following is the movement on the interest in suspense:

	Individual	Housing loans	Small and medium companies	Total
For the year ended 31 December 2017	JD	JD	JD	JD
Balance – Beginning of the year	253,496	749,639	1,007,637	2,010,772
Add: Interest suspended during the year	272,656	455,817	689,179	1,417,652
Less: Interest in suspense reversed to revenues	(90,516)	(234,261)	(9,291)	(334,068)
Less: Interest in suspense transferred to off - statement of financial position accounts	(97,268)	(55,925)	(78,311)	(231,504)
Less: Interest in suspense written off	(1,882)	(4,780)	-	(6,662)
Balance - End of the year	336,486	910,490	1,609,214	2,856,190
For the year ended 31 December 2016				
Balance – Beginning of the year	225,345	629,180	799,131	1,653,656
Add: Interest suspended during the year	355,528	425,256	303,110	1,083,894
Less: Interest in suspense reversed to revenues	(51,555)	(118,150)	(9,087)	(178,792)
Less: Interest in suspense transferred to off - statement of financial position accounts	(275,822)	(148,492)	(85,517)	(509,831)
Less: Interest in suspense written off	-	(38,155)	-	(38,155)
Balance - End of the year	253,496	749,639	1,007,637	2,010,772

10. Financial assets at amortized cost – net

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Financial assets with market price:		
Governmental treasury bonds	561,521,617	555,171,529
Bonds guaranteed by other government	6,026,881	4,286,146
Companies bonds	30,094,369	34,607,158
	597,642,867	594,064,833
Less: Impairment*	(73,000)	(36,500)
Total financial assets with market price	597,569,867	594,028,333

* Below is the movement of impairment on bonds:

	31 December	
	2017	2016
	JD	JD
Balance at the beginning of the year	36,500	-
Impairment during the year	36,500	36,500
Balance at the end of the year	73,000	36,500

- Bonds analysis:

	31 December	
	2017	2016
	JD	JD
Financial assets at fixed rate of return	581,695,022	594,028,333
Financial assets at variable rate of return	15,874,845	-
Total	597,569,867	594,028,333

11. Investment in associate company

The following is the movement on the investment in the associate company:

	For the year ended 31 December	
	2017	2016
	JD	JD
Balance at the beginning of the year	17,376,287	19,680,613
The Bank's share in the associate company's gain	772,057	1,119,586
Foreign currency translation adjustment	1,799,434	(3,423,912)
Balance at the end of the year	19,947,778	17,376,287

On September 22, 2010 it was agreed with the Central Bank of Jordan that the Arab Jordan Investment Bank would buy a portion of the shares of Jordanian banks investing in the Jordan International Bank / London, Moreover the Bank has bought additional shares during the year 2010 so as for its share to reach 22,86%, Moreover during April 2013 the bank has increased its share percentage by buying more shares reaching a 25% share percentage.

During April 2015 Jordan International Bank / London increased its capital by GBP 10,000,000 where the bank’s share amounted to GBP 2,500,000 (equivalent to JD 2,633,225 at that time).

The Bank's right to vote on the General Assembly's decisions regarding this investment is based on the ownership percentage in the investment.

The Bank's share in the associate company's assets, liabilities, and revenues is as follows:

	31 December	
	2017	2016
	JD	JD
Total assets	384,193,346	362,225,170
Total liabilities	304,402,236	292,720,023
Net assets	79,791,110	69,505,147
The Bank's share in net assets	19,947,778	17,376,287
Net income for the year	3,088,228	4,478,344
The Bank’s share in net income for the year	772,057	1,119,586

The Bank's share of 25% in the assets and liabilities and net profit of Jordan International Bank / London has been calculated for the year 2017 as shown above according to the latest financial statements available on 31 December 2017.

12. Property and equipment - net

This item consists of the following :

	Land	Buildings	Equipment furniture and fixtures	Vehicles	Computers	Others	Payments to acquire property and equipment	Total
For the year-ended 31 December 2017	JD	JD	JD	JD	JD	JD	JD	JD
Cost:								
Balance –Beginning of the year	17,911,860	36,469,078	14,068,335	1,429,170	2,920,048	7,069,960	881,720	80,750,171
Additions	18,423	2,240,348	167,456	190,750	122,233	298,536	2,489,847	5,527,593
Transfers	-	227,091	26,096	-	1,373	50,717	(305,277)	-
Disposals	-	-	(65,632)	(228,022)	(84,100)	-	-	(377,754)
Balance – End of the Year	17,930,283	38,936,517	14,196,255	1,391,898	2,959,554	7,419,213	3,066,290	85,900,010
Accumulated depreciation :								
Balance – Beginning of the year	-	1,481,057	7,098,063	1,034,247	1,981,279	3,463,041	-	15,057,687
Depreciation for the year	-	764,745	817,396	154,890	234,563	482,306	-	2,453,900
Disposals	-	-	(65,621)	(216,583)	(83,890)	-	-	(366,094)
Balance – End of the year	-	2,245,802	7,849,838	972,554	2,131,952	3,945,347	-	17,145,493
Net property and equipment at the end of the year	17,930,283	36,690,715	6,346,417	419,344	827,602	3,473,866	3,066,290	68,754,517
For the year-ended 31 December 2016								
Cost:								
Balance – Beginning of the year	17,898,351	5,150,446	9,992,807	1,432,093	2,845,032	5,245,221	33,582,454	76,146,404
Additions	226,689	233,790	264,750	92,512	163,317	50,809	5,149,454	6,181,321
Transfers*	-	31,381,383	4,095,182	-	1,903	1,914,820	(37,850,188)	(456,900)
Disposals	(213,180)	(296,541)	(284,404)	(95,435)	(90,204)	(140,890)	-	(1,120,654)
Balance – End of the year	17,911,860	36,469,078	14,068,335	1,429,170	2,920,048	7,069,960	881,720	80,750,171
Accumulated depreciation :								
Balance – Beginning of the year	-	1,119,880	6,711,753	927,664	1,824,123	3,161,468	-	13,744,888
Depreciation for the year	-	450,425	656,050	168,669	240,818	429,238	-	1,945,200
Disposals	-	(89,248)	(269,740)	(62,086)	(83,662)	(127,665)	-	(632,401)
Balance – End of the year	-	1,481,057	7,098,063	1,034,247	1,981,279	3,463,041	-	15,057,687
Net property and equipment at the ending of the year	17,911,860	34,988,021	6,970,272	394,923	938,769	3,606,919	881,720	65,692,484

- Property and equipment consists of assets that has been fully depreciated amounting to JD 10,073,367 as of 31 December 2017 (JD 8,745,113 as of 31 December 2016).
- During the year 2016 payments to acquire property and equipment amounting JD 456,900 were reclassified to Intangible assets - note (13).

13. Intangible assets – Net

This item consists of the following:

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Goodwill	Computer's Software	Total	Goodwill	Computer's Software	Total
	JD	JD	JD	JD	JD	JD
Balance-Beginning of the year	-	1,688,482	1,688,482	608,666	1,419,167	2,027,833
Additions	-	202,686	202,686	-	474,677	474,677
Transfers (Note 12)	-	-	-	-	456,900	456,900
Disposals*	-	(345,769)	(345,769)	(608,666)	-	(608,666)
Amortization for the year	-	(614,616)	(614,616)	-	(662,262)	(662,262)
Balance-End of the Year	-	930,783	930,783	-	1,688,482	1,688,482

* Amortized goodwill shown above is as a result of United Arab Jordan Company for Investment and Financial Brokerage (a subsidiary) selling the Arab Advisors Company (Private Shareholding Company) during year 2016, as mentioned in note (2) in the consolidated financial statements.

14. Other Assets

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Earned interest income	15,924,542	15,091,675
Rent and prepaid expenses	1,416,582	1,330,122
Assets seized by the bank *	18,680,902	18,064,249
Stationery and printing	254,573	242,227
Refundable deposits	456,363	451,281
Others	1,397,310	1,088,351
Total	38,130,272	36,267,905

* The following is the movement on the assets seized by the Bank:

	31 December	
	2017	2016
	JD	JD
Balance-Beginning of the year	18,890,249	17,404,727
Additions	1,158,257	1,985,578
Disposals	(41,604)	(500,056)
	20,006,902	18,890,249
Provision for assets seized by the Bank **	(1,326,000)	(826,000)
Balance- End of the year	18,680,902	18,064,249

** According to Central Bank of Jordan's Law, buildings and plots of land that were foreclosed by the Bank against debts due from clients should be sold within two years from the foreclosure date, however this period could be extended for two more years, In accordance with the central bank of Jordan's circulating number 10/1/4076 dated on 27 March 2014. The bank has recorded a provision for assets seized against debts that have been sized for more than four years as of 31 December 2017.

Provision for assets seized by the Bank

	For the year ended 31 December	
	2017	2016
	JD	JD
Balance-Beginning of the year	826,000	326,000
Provision during the year	500,000	500,000
Balance- End of the year	1,326,000	826,000

15. Banks and financial institutions' deposits

This item consists of the following:

	31 December					
	2017			2016		
	Inside the Kingdom	Outside the Kingdom	Total	Inside the Kingdom	Outside the Kingdom	Total
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	62,664	3,224,354	3,287,018	668,032	2,418,302	3,086,334
Time deposits due within 3 months	176,630,620	227,422,241	404,052,861	224,209,956	193,178,138	417,388,094
Time deposits over 1 year	80,000,000	-	80,000,000	-	-	-
Total	256,693,284	230,646,595	487,339,879	224,877,988	195,596,440	420,474,428

16. Customers' deposits

This item consists of the following:

	Individual	Large companies	Small and medium companies	Government and Public Sector	Total
31 December 2017-	JD	JD	JD	JD	JD
Current accounts and demand deposits	77,693,611	106,601,631	40,409,612	23,411,946	248,116,800
Saving accounts	194,270,211	3,469,308	1,067,884	9,193	198,816,596
Time and notice deposits	415,497,959	73,838,216	13,076,922	101,369,168	603,782,265
Total	687,461,781	183,909,155	54,554,418	124,790,307	1,050,715,661
31 December 2016-					
Current accounts and demand deposits	96,070,847	143,295,906	40,066,259	27,299,519	306,732,531
Saving accounts	182,063,088	3,431,765	1,784,270	4,359	187,283,482
Time and notice deposits	396,418,888	71,828,270	13,283,950	102,009,346	583,540,454
Total	674,552,823	218,555,941	55,134,479	129,313,224	1,077,556,467

Deposits of the government and the general public sector inside the kingdom of Jordan amounted to JD 89,340,307 and the government deposits outside the Kingdom of Jordan JD 35,450,000 equivalent to 11.88% from the total deposits as of 31 December 2017 (JD 129,313,224 equivalent to 12% as of 31 December 2016).

Non-interest bearing deposits amounted to JD 241,292,196 equivalent to 22.96% of total deposits as of 31 December 2017 (JD 293,599,483 equivalent to 27.25% as of 31 December 2016).

Restricted deposits amounted to JD 3,097,302 equivalent to 0.30% of total deposits as of 31 December 2017 of which JD 5.128 is at Cyprus branch and JD 3,092,174 at Jordan Branches (JD 3,443,164 equivalent to 0.32% as of 31 December 2016 of which JD 12.886 is at Cyprus branch and JD 3,430,278 at Jordan branches).

Dormant deposits amounted to JD 1,460,668 as of 31 December 2017 (JD 462,314 for the previous year).

17. Borrowed money from the Central Bank of Jordan

This item represents borrowed money from the Central Bank of Jordan which was reborrowed for customers to fund production projects with interest rate 1.75% and maturity date on 31 March 2018.

18. Cash margins

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Cash margins against direct credit facilities	46,626,294	49,412,304
Cash margins against indirect credit facilities	13,066,750	13,048,270
Total	59,693,044	62,460,574

19. Sundry provisions

This item consists of the following:

	For the year ended 31 December 2017			
	Beginning balance	Provided during the year	Used during the year	Ending balance
	JD	JD	JD	JD
Provision for end of service indemnity	1,777,077	236,529	(276,656)	1,736,950
Lawsuits provision	127,000	-	-	127,000
Other provisions	80,000	60,000	(80,000)	60,000
Total	1,984,077	296,529	(356,656)	1,923,950

	For the year ended 31 December 2016			
Provision for end-of-service indemnity	1,513,199	420,026	(156,148)	1,777,077
Lawsuits provision	127,000	-	-	127,000
Other provisions	80,000	-	-	80,000
Total	1,720,199	420,026	(156,148)	1,984,077

20. Income tax

A- Income tax provision

The movement on the income tax provision is as follows:

	For the year ended 31 December 2017	For the year ended 31 December 2016
	JD	JD
Balance – beginning of the year	9,975,825	9,509,374
Income tax paid	(10,785,573)	(10,440,663)
Accrued income tax expense	8,595,534	10,907,114
Balance – end of the year	7,785,786	9,975,825

B - Income tax in the statement of income represents the following:

	2017	2016
	JD	JD
Accrued Income tax expense for the year	8,595,534	10,907,114
Amortization of deferred tax assets	3,774	(71,349)
Total	8,599,308	10,835,765

C - Tax situation

The Bank has reached a final settlement with the Income and Sales Tax Department for all previous years up to 2014 and paid the taxes declared up to the year 2016 and there are no accrued balances due to the Department as of 31 December 2017 relating to previous years.

United Arab Jordan Company for Investment and Financial Brokerage (a subsidiary) has reached a final settlement with the Income and Sales Tax Department in Jordan up to the year 2014, In addition the company has already submitted its tax returns for the year 2016 which hasn't been audited by the Income Tax and Sales Department yet.

A final tax settlement has been reached for the bank in Qatar up to the year 2016.

A final tax settlement has been reached for Cyprus branch up to the year 2016.

The Bank has booked a provision against any expected tax liabilities for the declared years which includes the above-mentioned years, in the opinion of the bank's management and its tax consultant the income tax provision booked in the consolidated financial statement is sufficient to cover any future tax liabilities that may arise.

D- Deferred Tax Assets

The details of this item are as follows:

	31 December 2017				31 December	
					2017	2016
	Balance-Beginning of the Year	Amount Released	Additional Amounts	Balance - End of the Year	Deferred Tax	Deferred Tax
	JD	JD	JD	JD	JD	JD
Accounts Included						
Provision for impairment of direct credit facilities	1,202,335	-	-	1,202,335	420,817	420,817
Provision for staff end-of-service Indemnity*	1,473,148	(190,783)	180,000	1,462,365	511,829	515,603
	2,675,483	(190,783)	180,000	2,664,700	932,646	936,420

* Deferred tax assets has not been calculated on the total balance of the staff's end-of-service indemnity provision as a part of this balance relates to Arab Jordan Investment Bank – Qatar.

The movement on deferred tax assets is as follows:

	For the year ended 31 December	
	2017	2016
	JD	JD
Balance-beginning of the year	936,420	865,071
Additions	63,000	126,000
Released	(66,774)	(54,651)
Balance-end of the year	932,646	936,420

E- The following is a summary of the reconciliation between accounting income and tax income:

	2017	2016
	JD	JD
Accounting income	25,774,257	33,474,065
Tax-exempted income	(2,362,119)	(1,362,098)
Unacceptable tax expenses	1,378,752	1,246,027
Taxable income	24,790,890	33,357,994
Effective income tax rate	33.36%	32.37%
Income tax for the year	8,595,534	10,907,114

According to the Income Tax Law which has come into force effective from January 1, 2015 a tax rate of 35%.

The tax rate on the Bank's branch in Cyprus 12.5% and the subsidiary in Qatar is 10% and 24 % for the subsidiaries in Jordan.

The deferred tax assets are calculated at 35% on the doubtful debts provisions balances and the provision of end-of-service indemnity as at years-ended 2016 and 2017. In our opinion these tax benefits will be utilized during the coming years for the Bank.

21. Other liabilities

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Accrued interest payable	4,197,726	3,564,543
Unearned revenues	-	177,450
Accounts payable	832,007	953,179
Accrued and unpaid expenses	1,330,173	2,092,051
Transfers and checks payable	34,119	42,243
Bank cheques issued at Jordanian Dinars	1,904,277	7,022,956
Safe boxes deposits	110,156	86,931
Other deposits	131,041	117,407
Scattered creditors	335,699	305,272
Undistributed dividends	1,223,010	1,015,443
Due to income tax	90,936	73,873
Restricted insurance	38,518	516,522
Others	820,059	751,235
Total	11,047,721	16,719,105

22. Paid-up capital

The paid-up capital of the Bank is JD 150,000,000 divided into 150,000,000 shares at a par value of JD 1 each as of 31 December 2016 and 2017.

23. Share issuance premium

During 2012 Arab Jordan Investment Bank – Qatar raised its capital from USD 25,000,000 to USD 50,000,000 through the issuance of shares at a share price of USD 1.16, which includes an issuance premium of USD 0.16 for a total of USD 4,000,000 where the share of Arab Jordan Investment Bank was USD 2,000,000 (which is equivalent to JD 1,418,000).

24. Reserves

Statutory Reserve
The amount accumulated in this account is transferred from the annual net income before tax at 10% during the year and previous years according to the Bank's Law This reserve cannot be distributed to shareholders.

General banking risks reserve
This item represents the general banking risks reserve according to the instructions of the Central Bank of Jordan.

The restricted reserves are as follows:

Reserve	Amount	Nature of restriction
	JD	
Statutory reserve	29,279,131	Banks and companies' laws
General banking risks reserve	5,888,551	Central Bank of Jordan's Instructions

25. Foreign currency translation adjustments

This represents differences resulting from the translation of the net investment in associates and foreign branches outside of Jordan upon consolidation of the financial statements of the Bank and the movement for this account is the following:

	For the year ended 31 December	
	2017	2016
	JD	JD
Balance – beginning of the year	(4,178,654)	(754,742)
Movement during the year	1,799,434	(3,423,912)
Balance – end of the year	(2,379,220)	(4,178,654)

26. Fair value reserve

The details of fair value reserve for financial assets at fair value through other comprehensive income are as follows:

	For the year ended 31 December	
	2017	2016
	JD	JD
Balance - beginning of the year	(1,429,227)	(1,017,821)
Unrealized losses gains	(246,847)	(526,833)
Realized gains transferred to the retained earnings	2,262	115,427
Balance – end of the year	(1,673,812)	(1,429,227)

27. Retained earnings

The movement on retained earnings account as the following:

	For the year ended 31 December	
	2017	2016
	JD	JD
Balance - beginning of the year	20,603,714	20,747,416
Income for the year	15,984,051	21,006,184
Gain from sale of financial assets through consolidated comprehensive income statement	1,960	(125,438)
Transferred to reserves	(2,421,421)	(3,052,573)
Effect of the sale of a subsidiary company	-	28,125
Distributed dividends	(18,000,000)	(18,000,000)
Balance – end of the year	16,168,304	20,603,714

Retained earnings include an amount of JD 932,646 as of 31 December 2017 (JD 936,420 as of 31 December 2016) restricted against deferred tax assets.

28. Proposed dividends to the General Assembly

The Board of Directors recommended the distribution of 9% of capital as cash dividends to the shareholders equivalent to JD 13,500,000 subject to the approval of the General Assembly of Shareholders (during the year 2017 the Bank distributed 12% of capital as cash dividends to shareholders equivalent to 18,000,000 JD for the year 2016).

29. Non - controlling interest

This item represents other shareholders' interest of 50% (minus two shares) as of 31 December 2017 from the net shareholders' equity of Arab Jordan Investment Bank in Qatar (subsidiary company).

30. Interest income

This item consists of the following:

	2017	2016
	JD	JD
Direct credit facilities:		
Individual (retail):		
Loans	4,955,098	4,658,357
Credit cards	1,546,168	2,204,565
Housing loans	5,742,428	4,771,806
Large companies		
Loans	12,139,263	8,558,185
Overdraft accounts	5,727,255	6,369,557
Small and medium companies		
Loans	4,562,701	3,853,579
Overdraft accounts	2,245,767	3,815,629
Government and public sector	9,898,789	9,423,554
Balances at the Central Bank of Jordan	104,315	361,151
Balances and deposits at banks and financial institutions	3,020,250	2,684,689
Financial assets at amortized cost	30,865,657	31,438,551
Total	80,807,691	78,139,623

31. Interest expense

This item consists of the following:

	2017	2016
	JD	JD
Deposits from banks and financial institutions	11,397,743	6,008,986
Customers' deposits:		
Current accounts and demand deposits	2,157,282	1,422,404
Saving accounts	1,337,707	1,145,442
Time and notice deposits	18,342,256	16,596,511
Cash margins	1,090,942	1,173,905
Deposits insurance fees	1,487,721	1,488,363
Total	35,813,651	27,835,611

32. Commissions income – net

This item consists of the following:

	2017	2016
	JD	JD
Commissions income:		
Direct credit facilities	1,621,559	1,730,297
Indirect credit facilities	8,100,149	7,620,970
Less: Commission expense	(1,252,845)	(1,289,638)
Net commissions income	8,468,863	8,061,629

33. Foreign currencies income

This item consists of the following:

	2017	2016
	JD	JD
Resulting from trading	3,449,504	3,733,421
Resulting from revaluation	136,658	171,599
Total	3,586,162	3,905,020

34. (Losses) from financial assets at fair value through profit or loss

The details of gains on financial assets of fair value through profit and loss in accordance with IFRS (9) are as follows:

	Realized gains	Unrealized (losses)	Total
For the year ended 31 December 2017	JD	JD	JD
Companies' shares	11,318	(19,242)	(7,924)
Total	11,318	(19,242)	(7,924)
For the year ended 31 December 2016			
Companies' shares	(104,059)	(41,036)	(145,095)
Total	(104,059)	(41,036)	(145,095)

35. Cash dividends on financial assets at fair value through comprehensive income

This item consists of the following:

	2017	2016
	JD	JD
Local companies dividends	309,634	344,109
Foreign companies dividends	74,010	92,513
Total	383,644	436,622

36. Other income

This item consists of the following:

	2017	2016
	JD	JD
Income from sale of property and equipment	27,147	628,402
Gains (losses) from sales of seized property	7,946	(3,856)
Returns from managed portfolios	130,754	112,486
Commission of salary transfer	53,404	55,671
Returns from shares trading on behalf of customers	28,698	60,896
Recorded revenues from pervious provisions	80,000	-
Recovered revenues from bad debts	840,761	3,492,298
Revenues from subsidiaries	13,178	6,518
Revenues from credit cards sponsorship	447,516	52,724
Other revenues	87,678	112,984
Total	1,717,082	4,518,123

37. Employees expenses

This item consists of the following:

	2017	2016
	JD	JD
Salaries, bonuses and employees benefits	13,535,039	14,057,152
Bank’s contribution in social security	1,432,462	1,401,194
Bank’s contribution in provident fund	478,431	466,212
Employees' life insurance	178,760	181,000
Medical expenses	701,522	670,354
Staff training	55,559	45,765
Travel expenses	265,365	251,470
Other	93,057	65,673
Total	16,740,195	17,138,820

38. Other expenses

This item consists of the following:	2017	2016
	JD	JD
Rent	2,168,715	2,470,560
Stationery and printing	299,763	467,010
Subscriptions	763,095	681,233
Legal and audit fees	233,821	257,844
Telephone, telex and postage	882,421	1,049,485
Insurance expenses	167,556	191,145
Maintenance and repair	657,982	587,514
General services	1,815,660	1,564,135
Swift services	145,379	144,393
Security	295,437	298,716
Donations	108,183	134,002
Board of directors remunerations	55,000	55,000
Board of directors expenses	743,874	235,709
Foreign currency trading fees	188,549	149,298
Registration and governmental fees	99,021	77,445
Mortgage and insurance fees	334,844	447,498
Consultations	266,395	264,667
Automated clearing (offset) expenses	17,500	7,524
Property tax fees	203,013	45,081
Marketing and advertising expenses	259,741	258,438
Computers and ATM expenses	971,699	766,358
Other expenses	1,048,612	1,243,433
Total	11,726,260	11,396,488

39. Earnings per share (Bank's shareholders)

This item consists of the following:	2017	2016
	JD	JD
Income for the year	15,984,051	21,006,184
Weighted average number of shares	150,000,000	150,000,000
Earnings per share (Bank shareholders) basis and Diluted	0.107	0.140

40. Cash and cash equivalents

This item consists of the following:

	31 December	
	2017	2016
	JD	JD
Cash and balances at the Central Bank of Jordan maturing within 3 months	70,179,969	73,679,105
Add: balances at banks and other financial institutions maturing within 3 months	254,895,109	224,106,568
Less: deposits from banks and financial institutions maturing within 3 months	(407,339,879)	(420,474,428)
Total	(82,264,801)	(122,688,755)

41. Related parties transactions

The Consolidated Financial Statements includes the financial statements of the Bank and its subsidiaries include the following:

Company's Name	Ownership Percentage	Company's Capital 2017	Company's Capital 2016
		JD	JD
United Arab Jordan Company for Investment and Financial Brokerage	100%	2,500,000	2,500,000
Arab Jordan Investment Bank /Qatar LLC	50% + two shares	35,450,000	35,450,000

The Bank has entered into transactions with members of the Board of Directors and Executive Management within the normal course of its activities at the commercial interest rates and commissions.

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

	Related party				Total	
					31 December	
	Subsidiary company	Board of directors members and management executives	Associate company	Other*	2017	2016
	JD	JD	JD	JD	JD	JD
Statement of Financial Position Items:						
Total deposits for related parties	26,666,873	106,479,621	17,962,038	6,811,177	157,919,709	125,939,810
Total Bank deposits with related parties	15,634,615	-	23,797,848	-	39,432,463	63,687,447
Loans and credit facilities granted to related parties	-	331,675	-	2,363,300	2,694,975	2,507,859
Off-Statement of Financial Position Items:						
Letter of credit and guarantee	17,098,081	-	-	-	17,098,081	160,000
Managed account	9,237,422	-	-	-	9,237,422	12,111,266
Statement of Income Items:						
Credit interest and commission	119,952	19,693	150,671	158,360	448,676	346,217
Debit interest and commission	1,302,219	2,665,352	335,229	405,390	4,708,190	4,602,725

* This item represents employees' deposits and facilities for other than Board of Directors and the executive management.

- Balances transactions revenues and expenses between the Bank and the subsidiaries are eliminated.
- The interest rate received on amounts granted as facilities to related parties reached 4% annually which the interest rate paid reached 7.25 % annually.
- All credit facilities granted to related parties are performing and consequently no related provisions have been booked.

The following is a summary of the benefits (salaries and remunerations plus other benefits) of the executive management of the Bank:

	For the year ended 31 December	
	2017	2016
	JD	JD
Salaries, remunerations and other benefits	1,875,572	2,030,263
Travel and transportation	31,837	21,150
Total	1,907,409	2,051,413

42. Risk management

Risk is an integral part of the Bank's operations, The general framework of the Risk Management Department in the bank is to identify understand and evaluate risks associated with the Bank's operations, The Department also ensures that risk is maintained within approved and accepted limits and that the necessary measures are taken to reduce risk and attain a balance between risks and rewards.

The Risk Department's policies are developed in order to identify analyze control and place caps on risk, Moreover risk is also monitored through the Bank's risk database system.

The Bank periodically reviews the policies and procedures associated with the Risk Department in order to incorporate new market developments and practices best suited to the Bank's operations.

The Risk Management Department in the Bank is responsible for managing risk through close alignment of the policies and procedures authorized by the Bank's Board of Directors, Furthermore the Risk Committee which is emerged from the Board of Directors reviews the said department's activities and continually issues reports to the Board of Directors disclosing whether the risk is maintained according to the Bank's policies and approved and accepted risk levels.

The Assets and Liabilities Management Committee and Investment Committee also partake in risk management within the Bank. In addition all of the Bank's work centers are responsible for identifying the risks associated with their activities, They also set the necessary and appropriate risk controls; the most important risks are credit risk liquidity risk operation risk and market risk which also includes interest rate risk and currency risk.

Credit Risk

Credit risk arises from the probable default or inability of the borrower or third party to fulfil its obligations to the Bank Moreover, this risk is one of the most important risks the Bank faces during the conduct of its activities, Therefore the Bank manages credit risk continuously this risk relates to items such as loans bonds and activity investments in debt instruments in addition to credit risk related to off- statement of financial position items such as unutilized loans guarantees and documentary credits.

Measurement of Credit Risk:

1 Debt Instruments

The external rating issued by the International Rating Institutions such as (Standard and Poor) and (Moodys) or the like is used in managing exposure to credit risk relating to debt instruments, This rating is within specific categories and as instructed by the regulatory authorities in the countries where the bank has its branches or subsidiaries.

2 Control on Risk Ceilings and Credit Risk Mitigation Policies

The Bank manages credit ceilings and controls the credit concentrations risks on the customers' levels (individual or corporate) in addition to managing and controlling the exposure to credit risk for each sector or geographical area.

The Bank determines the accepted credit risk levels through installing ceilings for the acceptable risks relating to one borrower or a group of borrowers and for each sector or geographical area.

These risks are continuously controlled and are subject to annual / periodic reviews in addition to controlling the actual exposure against the risk ceilings daily.

Credit Risk Mitigation Methods

The Bank adopts several methods and practices to mitigate credit risk such as obtaining guarantees according to acceptable standards.

The most prevalent guarantees against loans and credit facilities are the following:

- Real estate mortgages
- Mortgages of financial instruments such as shares
- Bank guarantees
- Cash Collaterals
- Government guarantees.

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

- A system of three approvals for granting a credit
- Credit approval authority that varies from one management level to another depending on the volume of the customer's portfolio extent of exposure maturity and customer's risk degree.
- Complete segregation between credit management departments (business) credit control and analysis departments.

Second: quantitative disclosures:

(42/A) credit risk

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

	31 December	
	2017	2016
	JD	JD
On- Statement of Financial Position		
Cash and balances at Central Bank of Jordan	51,725,082	58,340,650
Balances at banks and financial institutions	254,895,109	224,106,568
Deposits at banks and financial Institutions	16,535,460	27,312,114
Credit Facilities:		
Individual	99,143,847	100,998,040
Real-estate loans	88,908,278	95,098,549
Large companies	328,493,955	328,759,260
Small and medium companies	35,746,706	38,613,877
Government & public sector	202,870,110	189,737,076
Bonds and Treasury Bills:		
Within financial assets at amortized Cost	597,569,867	594,028,333
Other assets	15,924,542	15,091,675
Total	1,691,812,956	1,672,086,142
Off- Statement of Financial Position Items		
Letters of guarantee	76,650,460	86,865,733
Letters of credit	32,893,879	27,463,115
Acceptances	55,273,927	27,466,188
Un-utilized facilities	48,350,039	35,056,519
	213,168,305	176,851,555
Total	1,904,981,261	1,848,937,697

The Bank obtains cash and in-kind collaterals representing real estates and shares to mitigate credit risks to which the Bank might be exposed.

The above schedule represents the Bank's maximum exposure to credit risk as of 31 December 2017 and 2016 without taking into consideration guarantees and other credit risk mitigation factors.

As for on-consolidated statement of financial position assets the above exposure is based on the balance shown in the consolidated statement of financial position.

2. Credit exposure is distributed according to the degree of risk as follows:

31 December 2017	Individual	Housing loans	Large companies	Small and medium companies	Government and public sector	Banks and other financial institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low grade	8,354,304	2,987,754	13,572,231	717,546	799,273,268	-	824,905,103
Standard grade	91,616,818	85,855,423	331,989,232	20,852,296	32,118,844	281,713,973	844,146,586
From which past due:							
Up to 30 days	25,813	16,317	-	-	-	-	42,130
From 31 to 60 days	-	-	-	12,841	-	-	12,841
Watch list	2,143,975	4,883,957	-	13,462,547	-	-	20,490,479
Non performing:							
Substandard	616,277	1,046,598	-	-	-	-	1,662,875
Doubtful	1,161,674	853,172	-	2,213,478	-	-	4,228,324
written - off	1,363,719	3,139,722	-	5,826,200	-	-	10,329,641
Total	105,256,767	98,766,626	345,561,463	43,072,067	831,392,112	281,713,973	1,705,763,008
Deduct: interest in suspense	336,486	910,490	-	1,609,214	-	-	2,856,190
Allowance for impairment losses	2,553,850	1,759,865	1,064,000	5,716,147	-	-	11,093,862
Net	102,366,431	96,096,271	344,497,463	35,746,706	831,392,112	281,713,973	1,691,812,956

31 December 2016	Individual	Housing loans	Large companies	Small and medium companies	Government and public sector	Banks and other financial institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low grade	23,745,722	3,317,465	4,959,148	443,481	782,007,065	-	814,472,881
Standard grade	78,782,158	96,427,709	339,082,608	27,475,897	33,629,844	263,033,813	838,432,029
From which past due:	-	-	-	-	-	-	-
Up to 30 days	91,513	33,617	-	-	-	-	125,130
From 31 to 60 days	7,163	-	-	12,694	-	-	19,857
Watch list	1,859,005	4,730,138	-	10,743,748	-	-	17,332,891
Non performing:							
Substandard	592,001	281,039	-	1,396	-	-	874,436
Doubtful	959,923	604,527	-	143,331	-	-	1,707,781
written - off	1,124,138	4,731,650	-	5,657,390	-	-	11,513,178
Total	107,062,947	110,092,528	344,041,756	44,465,243	815,636,909	263,033,813	1,684,333,196
Deduct: interest in suspense	253,496	749,639	-	1,007,637	-	-	2,010,772
Allowance for impairment losses	2,270,177	2,058,376	1,064,000	4,843,729	-	-	10,236,282
Net	104,539,274	107,284,513	342,977,756	38,613,877	815,636,909	263,033,813	1,672,086,142

* Exposures include credit facilities balances and deposits with banks and Treasury bonds and any assets of its credit exposures.

* The full balance of the debt owed in the event of a single maturity premiums or benefits and the overdraft is considered payable if it exceeds the ceiling.

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

	Individual	Housing loans	Large companies	Small and medium companies	Government and public sector	Total
31 December 2017-	JD	JD	JD	JD	JD	JD
Low grade	8,354,304	2,987,754	13,572,231	717,546	176,929,313	202,561,148
Standard grade	70,603,687	60,802,850	243,362,455	17,647,354	25,940,797	418,357,143
Watch list	35,808	4,836,251	-	7,207,224	-	12,079,283
Non- performing :						
Substandard grade	-	1,038,244	-	-	-	1,038,244
Doubtful	-	832,719	-	1,867,640	-	2,700,359
written - off	1,164,415	2,862,045	-	5,159,352	-	9,185,812
Total	80,158,214	73,359,863	256,934,686	32,599,116	202,870,110	645,921,989
As :						
Cash margins	8,354,304	464,241	13,572,231	717,546		23,108,322
Governmental guarantees	-	2,523,513	-	-	202,870,110	205,393,623
Real estate	66,040,317	70,372,109	220,400,556	31,881,570	-	388,694,552
Listed shares	4,372,213	-	22,961,899	-	-	27,334,112
Vehicles and equipment	1,391,380	-	-	-	-	1,391,380
31 December 2016-						1,391,380
Low grade	23,745,722	3,317,465	4,959,148	443,481	160,453,171	192,918,987
Standard grade	59,815,466	66,044,848	251,054,861	22,719,201	29,283,905	428,918,281
Watch list	108,360	4,716,102	-	5,184,914	-	10,009,376
Non- performing :						
Substandard grade	-	214,207	-	-	-	214,207
Doubtful	1,525	604,527	-	112,513	-	718,565
written - off	7,590	4,211,922	-	4,293,919	-	8,513,431
Total	83,678,663	79,109,071	256,014,009	32,754,028	189,737,076	641,292,847
As :						
Cash margins	22,682,222	507,013	4,959,148	443,481	-	28,591,864
Governmental guarantees	-	2,810,452	-	-	189,737,076	192,547,528
Accepted bank guarantees	1,063,500	-	-	-	-	1,063,500
Real estate	59,386,016	75,791,606	251,054,861	32,310,547	-	418,543,030
Listed shares	496,157	-	-	-	-	496,157
Vehicles and equipment	50,768	-	-	-	-	50,768

Rescheduled loans
These represent loans classified previously as non-performing and reclassified as performing but taken out therefrom according to proper scheduling and classified as watch list loans they amounted to JD 3,257,131 for the current year (JD 3,951,712 for the previous year).

The balance of the rescheduled loans represents the loans which were rescheduled either still classified as watch list or transferred to performing.

Restructured loans
Restructuring means to rearrange facilities instalments or by increasing their duration postpone some instalments or increase the grace period…etc They are classified as a watch-list debt and it amounted to JD 5,233,770 for the current year (JD 39,282,482 for the previous year-end).

4. Bills bonds and debentures

The table below shows the classification of bills bonds and debentures according to external rating agencies:

Risk rating class	Rating agency	Included in assets at amortized cost
Government guaranteed bonds	Moody’s	550,387,267
Government guaranteed bonds B1	Moody’s	11,134,350
Foreign governmental bonds Aa3	Moody’s	2,156,310
Foreign governmental bonds BBB -	Moody’s	690,550
Foreign governmental bonds B1	Moody’s	1,755,375
Foreign governmental bonds Ba1	Moody’s	714,445
Foreign governmental bonds Baa3	Moody’s	710,201
Companies Bond A	Moody’s	714,356
Companies Bond A1	Moody’s	711,619
Companies Bond A2	Moody’s	713,137
Companies Bond A3	Moody’s	1,439,996
Companies Bond Ba1	Moody’s	5,701,226
Companies Bond Ba2	Moody’s	715,016
Companies Bond Ba3	Moody’s	716,922
Companies Bond Baa1	Moody’s	874,845
Companies Bond Baa3	Moody’s	6,066,143
Companies Bond Caa1	Moody’s	1,418,000
Companies Bond without classification	Moody’s	10,950,109
Total		597,569,867

5. The schedule below shows the geographical distribution of the credit risk exposure:

	Inside the Kingdom	Other Middle East Countries	Europe	Asia *	Africa *	America	Other countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balance at Central Bank of Jordan	51,725,082	-	-	-	-	-	-	51,725,082
Balances at banks and financial institutions	25,826,801	169,950,508	23,794,571	658,283	488,313	33,749,162	427,471	254,895,109
Deposits at banks and financial institutions	-	-	16,535,460	-	-	-	-	16,535,460
Credit facilities-net:								
Individual	83,738,047	12,083,723	3,322,077	-	-	-	-	99,143,847
Property loans	81,712,704	7,195,574	-	-	-	-	-	88,908,278
Large companies	301,837,523	26,656,432	-	-	-	-	-	328,493,955
Small and medium companies (SMES)	35,259,282	-	487,424	-	-	-	-	35,746,706
Government and public sector	202,870,110	-	-	-	-	-	-	202,870,110
Bonds debentures and bills:								
Financial assets at amortized cost	571,743,394	7,177,198	7,314,470	1,421,820	2,445,925	7,467,060	-	597,569,867
Other assets	14,860,593	535,119	289,938	13,662	86,117	139,113	-	15,924,542
Total / Current year	1,369,573,536	223,598,554	51,743,940	2,093,765	3,020,355	41,355,335	427,471	1,691,812,956
Total / Comparative figures	1,390,668,078	191,609,602	64,309,084	1,526,927	943,049	22,774,259	255,143	1,672,086,142

* Excluding Middle East countries.

6. The schedule below shows the credit risk exposure according to economic activities:

Economic Sector	Finance	Industrial	Trade	Housing	Agriculture	Shares	Individual (retail)	Government and public sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Bank of Jordan	-	-	-	-	-	-	-	51,725,082	51,725,082
Balances at banks and financial institutions	254,895,109	-	-	-	-	-	-	-	254,895,109
Deposits at banks and financial institutions	16,535,460	-	-	-	-	-	-	-	16,535,460
Credit facilities	15,484,879	149,532,954	198,433,580	88,908,278	-	789,248	99,143,847	202,870,110	755,162,896
Bonds debentures and bills:									
Financial assets at amortized cost	9,474,982	10,677,314	2,869,073	7,000,000	-	-	-	567,548,498	597,569,867
Other assets	919,222	900,756	1,444,300	187,993	-	1,265	3,222,584	9,248,422	15,924,542
Total / Current year	297,309,652	161,111,024	202,746,953	96,096,271	-	790,513	102,366,431	831,392,112	1,691,812,956
Total / Comparative figures	272,223,293	156,976,272	208,173,379	107,284,513	3,859,428	3,393,074	104,539,274	815,636,909	1,672,086,142

42/B Market risks:

Market risk is the risk of the fluctuation in the fair value or cash flows of financial instruments due to changes in market prices such as interest rates currency rates and stock prices The risks subject to this requirement are foreign currency risk price risk and commodity risk Market risks arise due to open positions for interest rate foreign currency exchange rate investment rate and share prices These risks are controlled according to predetermined policies and procedures and through specialized committees and work centers.

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

1 Interest rate risks

Interest rate risk arises from the probable impact of changes in interest rates on the value of other financial assets The Bank is exposed to the risk of interest rates due to a mismatch or a gap in the amounts of assets and liabilities according to the various time limits or review of interest rates in a certain period Moreover the Bank manages these risks through reviewing the interest rates on assets and liabilities based on the risk management strategy The Bank will study all the factors that have an effect on the interest rates whether they are local regional or global in addition to studying the interest rate gap and their future expectations to determine the degree of risk in the short and long term so as to be able to put a suitable future plan and make the right decisions such as amending the maturity date and repricing the deposits and loans and the purchase and sale of the financial investments.

1 Interest rate risk

Sensitivity Analysis 2017

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue profit and (loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	676,963	-
Euro	1	225,716	-
British Pound	1	(40,756)	-
Japanese Yen	1	(3)	-
Others	1	144,720	-

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue profit and (loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	(676,963)	-
Euro	1	(225,716)	-
British Pound	1	40,756	-
Japanese Yen	1	3	-
Others	1	(144,720)	-

Sensitivity Analysis 2016

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue profit and (loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	692,298	-
Euro	1	(101,691)	-
British Pound	1	(63,351)	-
Japanese Yen	1	(666)	-
Others	1	97,213	-

Currency	Change (increase) in interest rate (%)	Sensitivity of interest revenue profit and (loss)	Sensitivity of shareholders' equity
		JD	JD
US Dollar	1	(692,298)	-
Euro	1	101,691	-
British Pound	1	63,351	-
Japanese Yen	1	666	-
Others	1	(97,213)	-

2 Foreign currencies risk

This is the risk that results from the changes in foreign exchange rates with potential impact on the Bank's assets and liabilities in foreign currencies The Bank prepares a sensitivity analysis to monitor the changes in exchange rates at (± 5%) of net profits and losses.

Sensitivity analysis 2017

Currency	Change in currency exchange rate (%)	Effect on profits and losses	Sensitivity of shareholders' equity
		JD	JD
Euro	5	814	-
British Pound	5	38,603	958,786
Japanese Yen	5	142	-
Other currencies	5	171,990	-

Sensitivity analysis 2016

Currency	Change in currency exchange rate (%)	Effect on profits and losses	Sensitivity of shareholders' equity
		JD	JD
Euro	5	(7,482)	-
British Pound	5	55,979	812,835
Japanese Yen	5	(134)	-
Other currencies	5	54,407	-

In case the decrease in the currency exchange rate amounts to 5% the same financial effect will result with an opposite sign.

3 Shares prices risks

Is the risk arising from changes in the prices of stocks within the portfolio of financial assets at fair value through the statement of income and comprehensive income The Bank manages the risks of stock prices by analyzing value at losses.

Sensitivity analysis 2017

Indicator	Change in equity prices (%)	Effect on profit and losses	Effect on shareholders
		JD	JD
Amman Stock Exchange	5	8,470	637,362
Qatar Stock Exchange	5	-	31,870

Sensitivity Analysis 2016

Indicator	Change in equity prices (%)	Effect on profit and losses	Effect on shareholders
		JD	JD
Amman Stock Exchange	5	11,188	638,030
Qatar Stock Exchange	5	-	51,113

If the stock exchanges indicator decreases by the same percentage the same financial effect will arise but with an opposite sign.

4. Interest rate sensitivity gap

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

	Less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 months to 1 year	From1 to 3 years	Over 3 years	Non - interest bearing Items	Total
31 December 2017	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at central Banks of Jordan	70,179,969	-	-	-	-	-	-	70,179,969
Balances at banks and financial institutions	-	197,335,846	-	-	-	-	57,559,263	254,895,109
Deposits at banks and financial institutions	-	-	5,511,348	11,024,112	-	-	-	16,535,460
Financial assets at amortized costs	-	5,000,000	23,715,150	23,003,900	262,780,379	283,070,438	-	597,569,867
Financial assets at fair value through profit or loss	-	-	-	-	-	-	169,390	169,390
Direct credit facilities	132,751,830	61,667,726	78,564,317	55,758,686	194,963,001	231,457,336	-	755,162,896
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	14,817,140	14,817,140
Investments in associate company	-	-	-	-	-	-	19,947,778	19,947,778
Property and equipment – Net	-	-	-	-	-	-	68,754,517	68,754,517
Intangible assets – Net	-	-	-	-		-	930,783	930,783
Other assets	-	-	-	-	-	-	932,646	932,646
Deferred tax assets	-	-	-	-	-	-	38,130,272	38,130,272
Total assets	202,931,799	264,003,572	107,790,815	89,786,698	457,743,380	514,527,774	201,241,789	1,838,025,827
Liabilities								
Banks and financial institution deposits	3,287,018	404,052,861	-	-	80,000,000	-	-	487,339,879
Customers' deposits	481,737,157	197,774,633	63,354,672	64,189,963	2,325,603	41,437	241,292,196	1,050,715,661
Borrowed funds from the central bank of Jordan	-	161,422	-	-	-	-	-	161,422
Cash collaterals	25,768,100	9,659,696	4,946,611	8,923,183	101,629	53,318	10,240,507	59,693,044
Sundry provisions	-	-	-	-	-	-	1,923,950	1,923,950
Income tax provisions	-	-	-	-	-	-	7,785,786	7,785,786
Other liabilities	-	-	-	-	-	-	11,047,721	11,047,721
Total Liabilities	510,792,275	611,648,612	68,301,283	73,113,146	82,427,232	94,755	272,290,160	1,618,667,463
Interest rate sensitivity gap	(307,860,476)	(347,645,040)	39,489,532	16,673,552	375,316,148	514,433,019	(71,048,371)	219,358,364
31 December 2016								
Total Assets	165,981,411	235,997,779	121,106,425	117,470,857	428,844,512	483,127,332	257,056,440	1,809,584,756
Total Liabilities	385,472,717	672,778,520	126,698,255	79,194,946	1,194,537	30,205	323,801,296	1,589,170,476
Interest rate sensitivity gap	(219,491,306)	(436,780,741)	(5,591,830)	38,275,911	427,649,975	483,097,127	(66,744,856)	220,414,280

5. Foreign Currency Sensitivity Gap:

Currency	USD	Euro	Sterling Pounds	Japanese Yen	Others	Total
31 December 2017						
Assets						
Cash and balances at Central Banks of Jordan	27,545,683	1,193,859	841,758	5,744	540,549	30,127,593
Balances and deposits at banks and financial institutions	177,636,282	56,020,997	22,766,503	23,666	14,838,557	271,286,005
Direct credit facilities	191,146,915	4,936,317	12	-	50,323,622	246,406,866
Financial securities at amortized cost	134,425,710	7,995,266	-	-	-	142,420,976
Assets through Comprehensive Income	35,672	-	-	-	637,408	673,080
Investments in associate company	-	-	19,947,778	-	-	19,947,778
Property and equipment - net	1,834,106	-	-	-	-	1,834,106
Other assets	35,318,032	638,566	52,839	-	(8,248,186)	27,761,251
Total Assets	567,942,400	70,785,005	43,608,890	29,410	58,091,950	740,457,655
Liabilities						
Banks and financial institutions deposits	199,459,787	31,097,610	403,523	-	4,989,976	235,950,896
Customers' deposits	350,008,180	39,076,431	22,995,641	26,486	41,391,011	453,497,749
Cash margins	6,836,836	422,846	205,626	-	8,040,347	15,505,655
Banking risks reserve	274,585	-	-	-	-	274,585
Sundry provisions	241,013	-	-	-	-	241,013
Deferred tax liabilities	2,027,198	171,845	26,095	79	342,550	2,567,767
Other liabilities	19,955	-	-	-	-	19,955
Retained earnings	495,531	-	-	-	-	495,531
Cumulative change in fair value	-	-	-	-	(111,724)	(111,724)
Share Issuance Premium	1,418,000	-	-	-	-	1,418,000
Non - Controlling Interest	20,657,410	-	-	-	-	20,657,410
Total Liabilities	581,438,495	70,768,732	23,630,885	26,565	54,652,160	730,516,837
Net concentration on - balance sheet for the current year	(13,496,095)	16,273	19,978,005	2,845	3,439,790	9,940,818
Contingent liabilities off - balance sheet for the current year	134,343,314	19,512,416	197,903	1,785,980	21,384,668	177,224,281
31 December 2016						
Total Assets	523,255,107	56,829,148	40,962,859	91,543	68,777,335	689,915,992
Total Liabilities	536,171,806	56,978,795	23,556,313	94,230	67,689,190	684,490,334
Net concentration on - balance sheet for the current year	(12,916,699)	(149,647)	17,406,546	(2,687)	1,088,145	5,425,658
Contingent liabilities off - balance sheet for the current year	83,620,930	11,923,178	833,630	-	16,061,979	112,439,717

(42/C) Liquidity risk

Liquidity risk is defined as the Bank’s inability to provide the necessary funding to cover its obligations at the due date, Liquidity risk is managed through the following:

Funding requirements are managed through daily oversight of future cash flows to ensure the possibility of meeting them and the Bank maintains a presence in the market of cash that allows the bank to achieve it.

Holding highly marketable assets that can be easily liquidated to meet any unexpected liquidity requirements.

Monitoring the liquidity ratios according to the internal requirements and the requirements of the regulatory authorities.

Managing concentrations in assets / liabilities and their maturities.

Maintaining a portion of customers’ deposits as a cash reserve at the Central Bank of Jordan; this reserve cannot be disposed of except for certain conditions as specified by the Central Bank of Jordan.

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

The treasurer is in charge of controlling the liquidity of the Bank taking into consideration loans and any related commitments letters of credit and guarantees.

Sources of funds

The Bank diversifies its funding sources according to geographical areas currencies customers and products in order to achieve financial flexibility and reduce funding costs, It also endeavors to maintain stable and reliable funding sources, Moreover the Bank has a large customer base including individual customers companies and corporations.

1. The table below summarizes the distribution of liabilities (not discounted) on the basis of the remainder of the contractual maturity at the date of the financial statements:

31 December 2017	Less than 1 Month	1 to 3 Months	From 3 to 6 Months	From 6 Months to 1 year	From 1 To 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
LIABILITIES								
Banks' and financial institution's deposits	3,389,746	404,128,259	-	-	86,481,630	-	-	493,999,635
Customers' deposits	482,080,368	198,754,972	64,131,948	65,760,983	2,330,887	41,437	241,292,169	1,054,392,791
Borrowed funds from the central bank of Jordan	-	163,834	-	-	-	-	-	163,834
Cash margins	25,798,201	9,670,327	4,963,742	9,080,144	109,199	53,318	10,240,507	59,915,438
Miscellaneous provisions	-	-	-	-	-	-	1,923,950	1,923,950
Income tax provision	-	-	-	-	-	-	7,785,786	7,785,786
Other liabilities	-	-	-	-	-	-	11,047,721	11,047,721
TOTAL	511,268,315	612,717,392	69,095,690	74,841,127	88,921,716	94,755	272,290,160	1,629,229,155
TOTAL ASSETS (according to expected maturities)	764,453,414	264,003,572	84,785,536	66,782,798	211,744,391	245,014,327	201,241,789	1,838,025,827

31 December 2016	Less than 1 Month	1 to 3 Months	From 3 to 6 Months	From 6 months to 1 Year	From 1 To 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
LIABILITIES								
Banks' and financial institution's deposits	3,089,875	417,491,651	-	-	-	-	-	420,581,526
Customers' deposits	354,696,513	247,954,038	114,245,989	68,218,306	1,158,966	11,692	293,599,483	1,079,884,987
Cash margins	25,778,739	7,997,197	6,652,935	11,668,449	155,127	23,289	10,385,469	62,661,205
Miscellaneous provisions	-	-	-	-	-	-	1,984,077	1,984,077
Income tax provision	2,275,385	-	6,587,278	-	-	-	1,113,162	9,975,825
Other liabilities	-	-	-	-	-	-	16,719,105	16,719,105
TOTAL	385,840,512	673,442,886	127,486,202	79,886,755	1,314,093	34,981	323,801,296	1,591,806,725
TOTAL ASSETS (according to expected maturities)	721,152,940	235,997,779	101,938,086	87,126,067	187,067,631	219,245,813	257,056,440	1,809,584,756

2. The following table summarizes forward currency contracts based on the remaining period to the contractual maturity date on the date of the financial statements:

31 December 2017	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Total
	JD	JD	JD	JD	JD	JD	JD
Forward currency contracts							
Outflows	-	-	-	-	-	-	-
Inflows	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
31 December 2016							
Forward currency contracts							
Outflows	9,217,000	-	1,397,113	-	-	-	10,614,113
Inflows	9,217,000	-	1,397,113	-	-	-	10,614,113

Off- the statement of financial position items:

2017	Up to 1 Year	More than 1-5 Years	Over 5 Years	Total
	JD	JD	JD	JD
Letters of credit and acceptances / issued	87,476,221	-	-	87,476,221
Un-utilized facilities	48,350,039	-	-	48,350,039
Letters of guarantee	57,478,461	19,148,999	23,000	76,650,460
Total	193,304,721	19,148,999	23,000	212,476,720
2016				
Letters of credit and acceptances / issued	54,173,064	-	-	54,173,064
Un-utilized facilities	35,056,519	-	-	35,056,519
Letters of guarantee	58,887,156	27,901,832	76,745	86,865,733
Total	148,116,739	27,901,832	76,745	176,095,316

43. Segment Analysis

A. Information about the Bank's Business Segments

- The Bank is organized for administrative purposes so that the segments are measured according to the reports that are used by the Executive Director and the main decision-maker at the bank through the following main business segments:
- Individual accounts: include following up on individual customers accounts real estate loans overdrafts credit cards facilities and transfer facilities.
- Corporate accounts: include corporate transactions on loans credit facilities and deposits.
- Treasury: principally providing money market trading and treasury services as well as management of the Bank's funding operations through treasury bills Government securities placements and acceptances with other banks and that is through treasury and banking services .

1- The Following represents information about the bank's sector activities:

					Total	
					For the year ended 31 December	
	Individual	Corporate	Treasury	Others	2017	2016
	JD In Thousands	JD In Thousands	JD In Thousands	JD In Thousands	JD In Thousands	JD In Thousands
Gross income	7,931	40,320	38,878	7,827	94,956	94,916
Provision for impairment of direct credit facilities	(784)	(988)	-	-	(1,772)	(2,069)
Loss of disposal of subsidiary	-	-	-	-	-	(558)
Bank's share of income from associate Company	-	-	772	-	772	1,120
Segment results	7,147	39,332	39,650	7,827	93,956	93,409
Undistributed segment expenses					(68,182)	(59,935)
Income before tax					25,774	33,474
Income tax					(8,599)	(10,836)
Income for the Year					17,175	22,638
Segment's assets	176,242	578,921	954,167	-	1,709,330	1,687,621
Investments in associate Company	-	-	19,948	-	19,948	17,377
Undistributed assets	-	-	-	108,748	108,748	104,587
Total Segment's Assets	176,242	578,921	974,115	108,748	1,838,026	1,809,585
Segment's liabilities	726,262	384,146	487,501	-	1,597,909	1,560,489
Undistributed liabilities	-	-	-	20,758	20,758	28,681
Total Liabilities	726,262	384,146	487,501	20,758	1,618,667	1,589,170
Capital expenses					5,730	6,656
Depreciation					3,069	2,607

B. Information about Geographical Distribution

This item represents the geographical distribution of the Bank's activities Moreover the Bank conducts its activities mainly in Jordan representing local activities Additionally the Bank performs international activities through its branches in the Middle East and the Near East.

The following is the geographical distribution of the Bank's revenues assets and capital expenses:

	Inside the Kingdom		Outside the Kingdom		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total Revenues	85,971,816	87,415,402	9,755,759	8,062,456	95,727,575	95,477,858
Total Assets	1,470,116,827	1,488,801,130	367,909,000	320,783,626	1,838,025,827	1,809,584,756
Capital Expenses	5,691,658	6,474,561	38,621	181,437	5,730,279	6,655,998

44. Capital Management:

The Bank seeks to achieve the following goals:

- Compliance with the Central Bank of Jordan requirements relating to share capital.
- Maintaining the ability to continue as a going concern.
- Maintaining a strong capital base for supporting the expansion and development of the Bank's activities.

Capital adequacy is monitored and reviewed by the Bank's management moreover the Bank provides the Central Bank of Jordan with quarterly reports on the adequacy of its capital.

According to the Central Bank of Jordan instructions the minimum requirements for the capital adequacy ratio is 12% Moreover banks are classified into five categories the best one having an average capital adequacy ratio equal to or more than 14% Additionally the Bank's capital adequacy ratio is 15,95% as of 31 December 2017 (16.25% as of 31 December 2016 in).

The schedule below shows capital components total risk weighted assets and capital adequacy ratio according to the Central Bank of Jordan instructions in accordance with Basel II 2017 Committee regulations:

	31 December	
	2017	2016
	JD In Thousands	JD In Thousands
Primary capital		
Paid-up capital	150,000	150,000
Retained Earnings	2,668	2,604
Other Comprehensive income items:	(1,674)	
Change in fair value	(2,379)	(1,429)
Foreign currency translation adjustments	1,418	(4,179)
Share Issuance Premium	29,279	1,418
Statutory Reserve	5,654	26,958
Non–controlling interest	184,966	6,797
Total Ordinary Share Capital	**184,966**	**182,169**
Total regulatory Adjustments		
Goodwill and Intangible assets	(931)	(1,688)
Deferred tax assets resulting from provisions of credit facilities	(933)	(936)
Investment in Bank's Capital and financial institutions and insurance companies Outside the scope of regulatory consolidation and where the bank owns more than 10%	(1,637)	-
Net Ordinary Shareholders	**181,465**	**179,545**
Additional Capital:	-	-
Total primary Capital	181,465	179,545
Secondary Capital		
General banking risk reserve	5,889	5,789
Total Stable Capital	**5,889**	**5,789**
Net stable capital	**5,899**	**5,789**
Total regulatory capital	**187,354**	**185,334**
Total risk weighted assets	1,174,614	1,140,817
Capital adequacy ratio %	15.95%	16.25%
Primary capital ratio %	15.45%	15.74%

45. Accounts managed on behalf of customers

This item represents the accounts managed by the bank on behalf of its customers but are not considered part of the bank's assets and its balances as of 31 December 2017 was JD 32.886.344 (JD 31,881,896 as of 31 December 2016), The fees and commissions on such accounts are stated in the consolidated statement of Income.

46. Assets and Liabilities maturity analysis:

The following table analyzes assets and liabilities according to the expected period of their recoverability or settlement:

	Up to 1 year	Over 1 year	Total
31 December 2017	JD	JD	JD
Assets			
Cash and balances at Central Bank of Jordan	70,179,969	-	70,179,969
Balances at banks and financial institutions	254,895,109	-	254,895,109
Deposits at banks and financial institutions	16,535,460	-	16,535,460
Financial assets at fair value through comprehensive income	14,817,140	-	14,817,140
Financial assets at fair value through Profit or Loss	169,390	-	169,390
Direct Credit facilities	246,521,451	508,641,445	755,162,896
Financial assets at amortized cost	567,231,486	30,338,381	597,569,867
Investments in associate company	-	19,947,778	19,947,778
Property and equipment-Net	-	68,754,517	68,754,517
Intangible assets-Net	-	930,783	930,783
Deferred tax assets	-	932,646	932,646
Other assets	-	38,130,272	38,130,272
TOTAL ASSETS	1,170,350,005	667,675,822	1,838,025,827
LIABILITIES			
Banks and financial institutions' deposits	407,339,879	80,000,000	487,339,879
Customers' deposits	705,154,124	345,561,537	1,050,715,661
Borrowed funds from the central bank of Jordan	161,422	-	161,422
Cash margins	49,297,590	10,395,454	59,693,044
Sundry provisions	-	1,923,950	1,923,950
Income tax provision	-	7,785,786	7,785,786
Other liabilities	-	11,047,721	11,047,721
TOTAL LIABILITIES	1,161,953,015	456,714,448	1,618,667,463
Net	8,396,990	210,961,374	219,358,364

	Up to 1 Year	Over 1 Year	Total
31 December 2016	JD	JD	JD
Assets			
Cash and balances at Central Bank of Jordan	73,679,105	-	73,679,105
Balances at banks and financial institutions	224,106,568	-	224,106,568
Deposits at banks and financial institutions	23,839,434	3,472,680	27,312,114
Financial assets at fair value through Comprehensive Income	15,066,496	-	15,066,496
Financial assets at fair value through Profit or Loss	223,760	-	223,760
Direct credit facilities	379,238,463	373,968,339	753,206,802
Financial assets at amortized cost	565,155,908	28,872,425	594,028,333
Investments in associate company	-	17,376,287	17,376,287
Property and equipment-Net	-	65,707,091	65,707,091
Intangible assets-Net	-	1,673,875	1,673,875
Deferred tax assets	-	936,420	936,420
Other assets	-	36,267,905	36,267,905
TOTAL ASSETS	1,281,309,734	528,275,022	1,809,584,756
LIABILITIES			
Banks and financial institutions' deposits	420,474,428	-	420,474,428
Customers' deposits	782,902,620	294,653,847	1,077,556,467
Cash margins	51,904,727	10,555,847	62,460,574
Sundry provisions	-	1,984,077	1,984,077
Income tax provision	8,862,663	1,113,162	9,975,825
Other liabilities	-	16,719,105	16,719,105
TOTAL LIABILITIES	1,264,144,438	325,026,038	1,589,170,476
Net	17,165,296	203,248,984	220,414,280

47. Fair Value Hierarchy

A. Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis,

Some of the financial assets and financial liabilities are measured at fair value at the end of each reporting period, The following table gives information about

How the fair value of these financial assets and financial liabilities are determined (valuation techniques and key inputs).

Financial Assets/Financial Liabilities	Fair Value as at 31 December		Fair Value Hierarchy
	2017	2016	
Financial assets at fair value:	JD	JD	
Financial assets at fair value through profit or loss			
Companies shares	169,390	223,760	level 1
Total	169,390	223,760	
Financial assets at fair value through comprehensive income			
Shares available at market price	13,384,653	13,782,864	level 1
Shares not available at market price	1,432,487	1,283,632	level 2
Total	14,817,140	15,066,496	

There were no transfers between level 1 and 2 during 2017 and 2016.

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

Except what is detailed in following table we believe that the carrying amounts of financial assets recognized in the Company's financial statements approximate their fair values, due to that the bank's management believes that the item's book value are equals to the fair value which is due to its Short term maturity or to the interest rates being revaluated during the year.

	31 December 2017		31 Decer
	Book value	Fair value	Book value
Financial assets not calculated at fair value	JD	JD	JD
Balances at central banks	51,725,082	51,725,082	58,340,650
Balances at banks and financial institutions	254,895,109	255,101,343	224,106,568
Deposits at banks and financial institutions	16,535,460	16,571,563	27,312,114
Loans and other bills	755,162,896	760,572,218	753,206,802
Financial assets at amortized costs	597,569,867	607,355,672	594,028,333
Total Financial assets not calculated at fair value	1,675,888,414	1,691,325,878	1,656,994,467
Liabilities not calculated at fair value			
Banks and financial institution deposits	487,339,879	488,053,997	420,474,428
Customer deposits	1,050,715,661	1,053,821,803	1,077,556,467
Borrowed funds from the central bank of Jordan	161,422	161,958	-
Cash margins	59,693,044	59,769,606	62,460,574
Total Liabilities not Calculated at Fair Value	1,597,910,006	1,601,807,364	1,560,491,469

The fair values of the financial assets included in level 2 and 3 categories above have been determined in accordance with the generally accepted pricing.

48. Commitments and contingent liabilities (Off-Statement of Financial Position)

A. Contingent liabilities:

	31 December	
	2017	2016
	JD	JD
Letters of credit		
Export	32,202,294	26,706,876
Import (backed)	691,585	756,239
Import (not backed)	70,358,389	18,256,659
Acceptance		
Export / letter of credit	45,703,226	19,206,824
Export / policies	9,570,701	8,259,364
Import (not backed)	6,143,745	8,316,672
Letters of guarantee		
Payments	23,233,230	29,155,264
Performance	30,372,402	33,249,426
Other	23,044,828	24,461,043
Forward contracts	-	10,614,113
Un-utilized facilities	48,350,039	35,056,519
Total	289,670,439	214,038,999

B. There are contractual commitments to purchase fixed assets or constructional contracts that has an estimate value of JD 2,000,000.

C. There are no guarantees provided against contractual obligations.

D. Operating and finance lease contracts.

The minimum capital lease payment is as follows:

	2017	2016
	JD	JD
Within one year	181,161	573,676
Total	181,161	573,676

49. Lawsuits against the Bank

The lawsuits against the bank amounted to JD 10,234,144 as of 31 December 2017 (8,299,988 as of 31 December 2016) which represents mostly lawsuits that clients have raised to respond to lawsuits that the bank has raised against them In the opinion of the Bank's lawyer the Bank will not incur any significant amounts against these lawsuits except for the booked provision which amounted to JD 127,000 as of 31 December 2017. Moreover, the amounts paid by the Bank against concluded or settled lawsuits are taken to the consolidated statement of income upon payment.

50. New International Financial Reporting Standards and its explanations and issued amendments and not implemented yet

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Group 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 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group adopts IFRS 9. The Group calculated preliminary ECL allowance for stage 3 accounts which amounted to JD 2.9 M compared to an outstanding balance of JD 11M allowance for non-performing loans and watch-list loans as detailed in note 9 to the Consolidated financial statements. In addition, the Group expects based on preliminary figures the following ECL allowances for stage 1 and stage 2 debt instruments:

	JD
Expected credit loss:	
Debt instruments- stage 1	894,832
Debt instruments- stage 2	678,447

The Central Bank of Jordan issued a circular on 25 January 2018 allowing Banks to use the balance of the general banking reserves against the additional provisions resulted from the preliminary implementation of IFRS 9 during the year 2018.

(a) Classification and Measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the new classification and measurement category of IFRS 9. It expects to continue being measured at amortized cost and to use the new category starting from 1 January 2018 for classifying part of the debt securities portfolio to be measured at fair value through OCI.

Credit facilities are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

The new impairment guidance sets out an expected credit loss (ECL) model applicable to all debt instrument financial assets classified as amortized cost or FVTOCI. In addition, the ECL model applies to loan commitments and financial guarantees that are not measured at FVTPL.

Incurred Loss versus Expected Loss Methodology

The application of ECL will significantly change the credit loss methodology and models. ECL allowances represent credit losses that should reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. This compares to the present incurred loss model under IAS 39 that incorporates a single best estimate, the time value of money and information about past events and current conditions. The objective of the new impairment standard is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition. This compares to the present incurred loss model which recognizes lifetime credit losses when there is objective evidence of impairment and also allowances for incurred but not identified credit losses. Because of the inclusion of relative credit deterioration criteria and consideration of forward looking information, the ECL model eliminates the threshold or trigger event required under the incurred loss model, and lifetime ECL are recognized earlier under IFRS 9.

Stage Migration and Significant Increase in Credit Risk

· For non-Impaired Financial Instruments

Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. Entities are required to recognize 12 months of ECL for stage 1 financial instruments. In assessing whether credit risk has increased significantly, entities are required to compare the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring on the financial instrument as at the date of initial recognition.

Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. Entities are required to recognize lifetime ECL for stage 2 financial instruments. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, then entities shall revert to recognizing 12 months of ECL.

· For Impaired Financial Instruments

• Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.
For the business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For the retail portfolios, the portion of the collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

Key Drivers of Expected Credit Loss

The following concepts are subject to a high level of judgment, will have a significant impact on the level of ECL allowances and will be the cause of increased volatility of allowances:

1- Determining when a SICR of a financial asset has occurred.
2- Measuring both 12-month and lifetime credit losses.
3- Incorporating forward-looking information using multiple probability-weighted scenarios, and
4- Collateral and quality.

Further, the preliminary expected impact disclosed above may change as a result of the following factors:

- The systems and associated controls in place have not been operational for an extended period.
- The Group has not finalized the testing and assessment of controls over its IT systems and changes to its governance framework.
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to re-assessment and changes upon instructions of the regulatory authority.

Bank **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.

Amendments to IFRS 10 and IAS 28:Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

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.

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 17 Insurance Contracts

IFRS 17 provides a comprehensive model for insurance contracts covering the recognition and measurement and presentation and disclosure of insurance contracts and replaces IFRS 4 - Insurance Contracts. The standard applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The standard general model is supplemented by the variable fee approach and the premium allocation approach.

The new standard will be effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

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.

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.

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The interpretation is effective for annual reporting periods beginning on or after 1January 2019, but certain transition reliefs are available.