بنك القاهرة عمان
CairoAmmanBank

To: Jordan Securities Commission Amman Stock Exchange Date:- 29/03/2018 Subject: Audited Financial Statements for the fiscal year ended 31/12/2017	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:- 2018/03/29 الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في 2017/12/31
Attached the Financial Statements of (Cairo Amman Bank) for the fiscal year ended 31/12/2017 Note that this financial statements are subject to the approval of the Central Bank of Jordan.	مرفق طيه نسخة من البيانات المالية لشركة (بنك القاهرة عمان) عن السنة المالية المنتهية في 2017/12/31 علما بان هذه البيانات المالية خاضعة لموافقة البنك المركزي الاردني .
Kindly accept our high appreciation and respect Cairo Amman Bank Head of Finance Fuad Saleh	وتفضلوا بقبول فائق الاحترام،،، بنك القاهرة عمان رئيس الادارة المالية فؤاد صالح

هيئة الأوراق المالية
الدائرة الادارية / الديوان
٢٩ آذار ٢٠١٨
الرقم المتسلسل 20036
الجهة المختصة ....

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CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH THE AUDITOR'S INDEPENDENT REPORT

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
DECEMBER 31, 2017

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Independent Auditor's Report

AM/81661

To the Shareholders of
Cairo Amman Bank
(A Public Shareholding Limited Company)
Amman - The Hashemite Kingdom of Jordan

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Cairo Amman Bank (the Bank) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of December 31, 2017, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in owners' equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. 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 Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the Bank's consolidated financial statements in Jordan, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the "Auditor's Responsibilities Paragraph" relating to the audit of the consolidated financial statements section of our report, in addition to all other related matters. Accordingly, our audit includes performing the procedures designed to respond to our assessment of the risks regarding the material errors in 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. Description of the manner of the study of each item below is provided within the audit procedures:

Impairment of Credit Facilities Portfolio	Scope of Audit to Address the Risk
Impairment of credit facilities portfolio is one of the most significant matters that impact the reported results of the Group, in addition of being an area that requires a considerable amount of judgment for determining default event and the measurement of impairment loss. Judgment is applied to the inputs and measurement process of impairment based on the client and portfolio including valuation of collateral, and determining the default date, and as a result, impairment is calculated from that date. As of 31 December 2017, the gross credit facilities amounted to JD 1,597,129,966 against which accumulated loan loss provision of JD 48,663,030 were recorded.	Our audit procedures included obtaining the statements for non-performing and watch list credit facilities, samples were selected to test impairment which included collateral valuation and assessing the provision required based on the date of default. We also selected a sample from the performing loans to determine whether management had identified all impairment events. Disclosures of credit facilities are detailed in note 9 and note 2 in the accounting policies related to Direct Credit Facilities to the consolidated financial statements.

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Suspension of interest on non-performing loans	Scope of Audit to Address the Risk
In accordance with Central Bank of Jordan regulations, Interest is suspended after 90 days from impairment event (default date). Judgment is applied as to determine when the default date occurred which affects the amount of interest to be suspended.	Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense, and tested suspended interest including recalculation in accordance with the Central Bank of Jordan regulations, In addition assessing the criteria used by management for determining the impairment event (default date). Disclosures of interest in suspense are detailed in note 9 to the consolidated financial statements.

Other Matter

The accompanying consolidated financial statement are a translation of the original consolidation financial statement which are in Arabic language, to which reference should be made.

Other Information

Management is responsible for other information. The other information consists of information discussed in the Bank's annual reports other than the consolidated financial statements and the independent auditor' report. The annuals reports are expected to be made available to us after the date of this audit report. Our opinion on the consolidated financial statement does not cover the other information, and we do not express any form of assurance or 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 IFRS, 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.

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In preparing the consolidated financial statements, management is responsible for assessing the Bank'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 Bank 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 Bank'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 Bank'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 Bank to cease to continue as a going concern.

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- 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.

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 procedures.

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 Bank maintains proper books of accounts which are in agreement with the consolidated financial statements and we recommend that the General Assembly of the Shareholders to approve these consolidated financial statements.

Deloitte & Touche

Deloitte & Touche (M.E) - Jordan
Amman – Jordan
February 27, 2018

ديلويت اند توش (الشرق الأوسط)
010101
Deloitte & Touche (M.E.)

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	December 31, 2017	December 31, 2016
		JD	JD
ASSETS			
Cash and balances at Central Banks	4	519,193,270	225,410,667
Balances at banks and financial institutions	5	153,418,551	333,854,252
Deposits at banks and financial institutions	6	94,494,903	73,543,068
Financial assets at fair value through profit or loss	7	22,275,220	25,822,584
Financial assets at fair value through other comprehensive income	8	32,789,902	31,502,293
Direct credit facilities-net	9	1,537,936,749	1,356,279,148
Financial assets at amortized cost-net	10	325,364,198	336,223,295
Financial assets pledged as collateral	11	4,589,000	13,476,000
Property and equipment-net	12	41,393,821	42,333,214
Intangible assets, net	13	9,945,324	10,049,033
Deferred tax assets	19	5,743,006	6,270,359
Other assets	14	47,202,803	36,419,320
Total Assets		2,794,346,747	2,491,183,233
LIABILITIES AND EQUITY			
LIABILITIES:			
Banks and financial institutions' deposits	15a	447,289,678	358,957,094
Customers' deposits	15b	1,749,864,846	1,547,446,248
Margin accounts	16	51,267,717	81,476,847
Borrowed funds	17	114,906,448	92,165,097
Sundry provisions	18	17,168,406	15,000,573
Income tax provision	19	17,321,461	20,892,898
Deferred tax liabilities	19	770,068	2,049,782
Other liabilities	20	48,705,163	35,884,682
Total Liabilities		2,447,293,787	2,153,873,221
EQUITY			
BANK'S SHAREHOLDERS' EQUITY			
Authorized and paid up capital	21	180,000,000	180,000,000
Statutory reserve	22	69,955,203	65,836,075
General banking risk reserve	22	16,597,081	13,982,002
Cyclical fluctuations reserve	22	7,756,997	6,816,916
Fair value reserve-net	23	(9,005,364)	(10,347,484)
Retained earnings	24	71,279,760	70,184,530
Total Bank's Shareholders' Equity		336,583,677	326,472,039
Non-controlling interests		10,469,283	10,837,973
Total Equity		347,052,960	337,310,012
Total Liabilities and Equity		2,794,346,747	2,491,183,233

Chairman of Board of Directors General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN - THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF INCOME

	Notes	For the Year Ended December 31, 2017	2016
		JD	JD
Interest income	26	143,048,291	129,264,364
Interest expense	27	50,199,195	32,670,429
Net interest income		92,849,096	96,593,935
Net commission income	28	20,059,886	20,130,410
Net interest and commission income		112,908,982	116,724,345
Income other than interest and commission			
Gain from foreign currencies	29	3,826,717	3,277,281
Gain (Loss) from financial assets at fair value through profit or loss	30	99,396	(737,941)
Dividends from financial assets at fair value through other comprehensive income	8 & 31	1,106,046	1,117,217
Gain from sale of financial assets at amortized cost		-	275,808
Other income	32	8,030,748	7,472,664
Gross profit		125,971,889	128,129,374
Employees' expenses	33	40,150,410	38,854,913
Depreciation and amortization	12&13	9,176,099	8,009,598
Other expenses	34	28,929,289	25,907,777
Impairment loss on direct credit facilities	9	3,792,546	3,213,480
(Reversed from) provision on repossessed assets	14	(1,000,000)	-
Sundry provisions	18	3,028,341	2,220,049
Total expenses		84,076,685	78,205,817
Profit before tax		41,895,204	49,923,557
Income tax expense	19	11,927,424	15,189,678
Profit for the year		29,967,780	34,733,879
Allocated to:			
Shareholders		30,336,470	35,056,003
Non-controlling interests		(368,690)	(322,124)
Profit for the year		29,967,780	34,733,879
		JD/ Fils	JD/ Fils
Basic and diluted earnings per share (Bank shareholders)	35	0/169	0/195

Chairman of Board of Directors   General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Profit for the year	29,967,780	34,733,879
Add: Other comprehensive income Items after tax,		
Items which will not be reclassified subsequently to the consolidated Statement of Income:		
Net movement in fair value reserve	1,395,253	(11,797)
Total Comprehensive income for the year	31,363,033	34,722,082

Total Comprehensive income for the year attributable to:

Shareholders' Equity	31,731,723	35,044,206
Non-controlling interests	(368,690)	(322,124)
Total Comprehensive income for the year	31,363,033	34,722,082

Chairman of Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Authorized and Paid up Capital	RESERVES: Statutory	RESERVES: General Banking Risk*	RESERVES: Cyclical Fluctuations	Fair Value	Retained earnings	Total Shareholders' Equity	Non-controlling Interests	Total Equity
	JD	JD	JD	JD	JD	JD	JD	JD	JD
December 31, 2017									
Balance at January 1, 2017	180,000,000	65,836,075	13,982,002	6,816,916	(10,347,484)	70,184,530	326,472,039	10,837,973	337,310,012
Total comprehensive income for the year	-	-	-	-	1,395,253	30,336,470	31,731,723	(368,690)	31,363,033
Transferred to reserves	-	4,119,128	2,615,079	940,081	-	(7,674,288)	-	-	-
Capital increase related expenses	-	-	-	-	-	(20,085)	(20,085)	-	(20,085)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(53,133)	53,133	-	-	-
Cash Dividends distributed **	-	-	-	-	-	(21,600,000)	(21,600,000)	-	(21,600,000)
Balance at December 31, 2017	180,000,000	69,955,203	16,597,081	7,756,997	(9,005,364)	71,279,760	336,583,677	10,469,283	347,052,960
December 31, 2016									
Balance at January 1, 2016	160,000,000	60,988,222	12,670,000	5,902,049	(6,917,105)	74,934,813	307,577,979	-	307,577,979
Total comprehensive income for the year	-	-	-	-	(11,797)	35,056,003	35,044,206	(322,124)	34,722,082
Dividends distributed	-	-	-	-	-	(16,000,000)	(16,000,000)	-	(16,000,000)
Gain from sale of financial assets at fair value through other comprehensive income	-	-	-	-	(3,418,582)	3,418,582	-	-	-
Capital increase	20,000,000	-	-	-	-	(20,000,000)	-	-	-
Capital increase related expenses	-	-	-	-	-	(150,146)	(150,146)	-	(150,146)
Transferred to reserves	-	4,847,853	1,312,002	914,867	-	(7,074,722)	-	-	-
Non- controlling interest portion from establishing a subsidiary	-	-	-	-	-	-	-	11,160,097	11,160,097
Balance at December 31, 2016	180,000,000	65,836,075	13,982,002	6,816,916	(10,347,484)	70,184,530	326,472,039	10,837,973	337,310,012

* The general banking risk reserve and revaluation of financial assets are restricted from use without a prior approval from the Central Bank of Jordan.

** In accordance with the Ordinary General Assembly meeting held on 27 April 2017, 12% of the bank's capital has been decided to be distributed in cash to shareholders which is equivalent to JD 21,600,000 (10% of the bank's capital in cash to shareholders equivalent to JD 16,000,000 in accordance with the Ordinary General Assembly meeting held on 17 April 2016).

- As of December 31, 2017, the restricted retained earnings balance resulting from the early implementation of IFRS 9 amounted to JD 14,235,708.
- The retained earnings balance includes deferred tax assets amounting to JD 5,743,006 and is restricted from use in accordance with the instructions of the Central Bank of Jordan.
- The Bank cannot use a restricted amount of JD 9,005,364 which represents the negative fair value for the financial assets through other comprehensive income in accordance with the instructions of the Central Bank of Jordan and the Jordanian Securities Commission.
- Distributable profits amounted to JD 42,295,682 as of December 31, 2017

Chairman of Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

CAIRO AMMAN BANK
(A PUBLIC SHAREHOLDING LIMITED COMPANY)
AMMAN – THE HASHEMITE KINGDOM OF JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	For the Year Ended December 31, 2017	2016
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxes		41,895,204	49,923,557
Adjustments for:			
Depreciation and amortization	13& 12	9,176,099	8,009,598
Impairment loss on direct credit facilities provision	9	3,792,546	3,213,480
(Reversed) from provision on repossessed assets		(1,000,000)	-
Sundry provisions	18	3,028,341	2,220,049
Unrealized loss from financial assets at fair value through profit or loss	30	1,791,824	2,624,780
Loss (Gain) from sale of property and equipment	32	4,872	(2,477)
(Gain) from sale of repossessed assets	32	(92,942)	(150,044)
Effect of exchange rate changes on cash and cash equivalents		(3,633,763)	(3,067,895)
Cash flow from operating activities before changes in assets		54,962,181	62,771,048
Restricted balances with Central Banks		(1,134,400)	(779,900)
(Increase) Decrease in deposits at banks and financial institutions		(20,951,835)	39,656,916
Decrease (Increase) in financial assets at fair value through profit or loss		1,755,540	(275,478)
(Increase) in direct credit facilities		(185,450,147)	(215,252,447)
(Increase) Decrease in other assets		(9,690,541)	9,625,280
Increase in banks and financial institution deposits (maturing after more than three months)		52,518,291	12,418,180
Increase (Decrease) in customer deposits		202,418,598	(22,569,876)
(Decrease) in Margin Accounts		(30,209,130)	(4,987,793)
Increase (decrease) in other liabilities		12,820,481	(2,628,985)
Net cash flows from (used in) operating activities before income tax		77,039,038	(122,023,055)
Income tax paid	19	(16,468,215)	(20,104,075)
Sundry provisions paid	18	(860,508)	(789,440)
Net cash flows from (used in) operating activities		59,710,315	(142,916,570)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchase) of financial assets at fair value through OCI		(318,468)	(1,994,226)
Sale of financial assets at fair value through OCI		643,105	7,886,088
(Purchase) of other financial assets at amortized cost		(127,784,750)	(197,807,183)
Maturity and sale of other financial assets at amortized cost		147,530,847	201,712,532
(Purchase) of property and equipment		(4,995,516)	(17,100,220)
Sale of property and equipment, net		7,629	12,539
(Purchase) of intangible assets		(3,149,982)	(2,621,953)
Net cash flows from (used in) investing activities		11,932,865	(9,912,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in borrowed funds		44,679,146	53,489,623
Borrowed funds settled		(21,937,795)	(68,562,866)
Dividends distributed		(21,600,000)	(16,000,000)
Capital increase related expenses		(20,085)	(150,146)
Capitalization in Subsidiaries (Non-Controlling)		-	11,160,097
Net cash flows from (used in) financing activities		1,121,266	(20,063,292)
Effect of exchange rate changes on cash and cash equivalents		3,633,763	3,067,895
Net Increase (Decrease) in cash and cash equivalents		76,398,209	(169,824,390)
Cash and cash equivalents, beginning of the year		227,972,605	397,796,995
Cash and cash equivalents, end of the year	36	304,370,814	227,972,605

Chairman of Board of Directors

General Manager

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

1. General

- Cairo Amman Bank was established as a public shareholding limited company registered and incorporated in Jordan in 1960 in accordance with the Jordanian Companies Laws and Regulations No. (12) for the year 1964. Its registered head office is in Amman the Hashemite Kingdom of Jordan.

- The Bank provides its banking and financial services through its head office located in Amman and 89 branches located in Jordan, and 21 branches in Palestine and 1 in Bahrain, and its subsidiaries.

- The Bank's shares are listed on the Amman Stock Exchange.

- The consolidated financial statements were authorized for issue by the bank's Board of Directors in their meeting held on February 11, 2018, and are subject to the approval of the General Assembly of the shareholders.

2. Significant Accounting Policies

Basis of Preparation of Consolidated Financial Statement

- The consolidated financial statements for the bank have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standard Board, and their related interpretations issued by the International Financial Reporting Interpretations Committee of the International Accounting Standards Board, the effective local laws, the effective instructions of countries the bank operates in, and the Central Bank of Jordan.

- The consolidated financial statements are prepared on a historical cost basis except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial derivatives which are stated at fair value as of the date of the consolidated financial statements. Moreover, financial assets and liabilities whose change in fair value has been hedged are stated at fair value.

- The Jordanian Dinar is the reporting currency of the consolidated financial statement, which is the functional currency of the Bank.

Basis of Consolidation of Financial Statements

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

- The financial statements of the subsidiaries are prepared for the same reporting period as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank.

The Bank owns the following subsidiaries as of 31 December 2017:

Company's Name	Paid-up Capital	Ownership Percentage	Nature of Operation	Country of Operation	Ownership Date
	JD	%			
Al-Watanieh Financial Services Company	5,000,000	100	Brokerage and investment management	Jordan	1992
Al-Watanieh Securities Company	1,600,000	100	Brokerage	Palestine	1995
Tamallak for Financial Leasing	5,000,000	100	Finance Leasing	Jordan	2013
Safa Bank	53,175,000	79	Islamic Banking	Palestine	2016
Thimar for Investment Services*	70,900	100	Investment	Palestine	2016

- The important financial information for the subsidiaries as of December 31, 2017 are as follows:

	Al-Watanieh Financial Services Company (Awraq)		Al-Watanieh Securities Company	
	December 31,		December 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total Assets	20,313,871	17,104,903	2,201,694	2,255,317
Total Liabilities	8,550,254	6,354,200	658,407	548,230
Net Assets	11.763.617	10,750,703	1,543,287	1,707,087

	For the Year Ended December 31,		For the Year Ended December 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total Revenue	1,883,003	3,393,089	154,883	174,890
Total Expenses	677,625	1,007,010	318,683	327,802

	Tamallak for Financial Leasing		Safa Bank	
	December 31,		December 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total Assets	28,550,854	16,352,489	90,455,081	61,710,290
Total Liabilities	22,917,924	14,998,140	40,571,632	10,070,127
Net Assets	5,632,930	1,354,349	49,883,449	51,640,163

	For the Year Ended December 31,		For the Year Ended December 31,	
	2017	2016	2017	2016
	JD	JD	JD	JD
Total Revenue	1,389,888	819,925	1,636,981	59,216
Total Expenses	996,906	382,426	3,393,695	1,594,053

* Thimar for Investment Services is wholly-owned by the subsidiary Al- Watanieh Securities Company.

- Subsidiaries are fully consolidated in the consolidated Income Statement from the date of their acquisition which is the date on which control is transferred to the Bank. The results of the disposed subsidiaries are consolidated in the consolidated income statement up to date of disposal, which is the date on which the Bank losses control over the subsidiaries.

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

Segmental Reporting

- Business segments represent distinguishable components of an entity that are engaged in providing products or services which are subject to risks and rewards that are different from those of other segments and are measured in accordance with the reports used by executive directors and the main decision makers at the Banks.

- Geographical segments are associated to products and services provided within a particular economic environment, which are subject to risks and rewards that are different from those of other economic environments.

Financial Assets at Amortized Cost:

- These financial assets represent financial assets the Bank's management intends, according to its business model, to hold for collecting contractual cash flows which comprise payments of principal and interest on the outstanding debt balance.

- Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or part thereof are deducted. Any impairment is registered in the consolidated statement of income.

- The amount of the recognized impairment loss is the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

- Financial assets from / to this category may not be reclassified except for certain cases specified in the International Financial Reporting Standards (in the case of selling any of these assets before their maturity date, the result should be recorded in a separate-line item in the consolidated statement of income. Moreover, disclosures should be made according to the requirements of International Financial Reporting Standards).

Financial Assets at Fair Value through Profit or Loss:

- These financial assets represent investments in companies' stocks and bonds, and the purpose from maintaining them is to generate gains from the fluctuations in market prices in the short term or from trading margins.

- These financial assets are initially stated at fair value at acquisition date, (while transaction costs are expensed in the consolidated statement of income, and are subsequently measured at 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 are taken to the consolidated statement of income.

- Dividend and interest income are recorded in the consolidated income statement.

- It is not permitted to reclassify assets (to / or) from this category except in certain circumstances determined in IFRS 9.

Financial Assets at Fair Value through Other Comprehensive Income:

- These financial assets represent investments in equity instruments held for long term.

- These financial assets at fair value though comprehensive income are initially stated at fair value plus transaction costs on the purchase date. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owners' 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 it should be recognized in the consolidated statement of comprehensive income and within owners' equity, and the balance of the revaluation reserve for these assets should be transferred directly to retained earnings and not to the consolidated statement of income.

- No impairment loss testing is required for those assets.

- Dividends are recorded in the consolidated statement of income in a separate-line item.

- It is not permitted to reclassify assets (to / or) from this category except in certain circumstances determined in IFRS 9.

Direct Credit Facilities

- Direct Credit facilities are financial assets with fixed or amended payments basically provided by the Bank or obtained with no available market value in active markets.

- Direct credit facilities are stated at amortized cost net of provision for impairment loss, interest and commissions in suspense.

- A provision for impairment in direct credit facilities is recognized when amounts due to the Bank become obviously irrecoverable, and when there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment loss amount can be estimated according to the Central Bank of Jordan instructions, and in accordance with the central banks instructions in the countries the Bank's branches operate. The provision is taken to the consolidated statement of income.

- Interest and commissions on non-performing direct credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan or the applicable laws in the countries where the Bank's branches operate, whichever is more restricted.

- Impaired credit facilities, for which provisions have been taken, are written off by charging the provision after all collection efforts and procedures have failed. Any surplus in the provision is taken to the consolidated statement of income, while prior written-off debt recoveries are taken to other income.

- Credit facilities and the related suspended interest fully provided for are taken off the consolidated statement of financial position in line with the Board of Directors decisions in this regard.

Fair Value

The closing market price (Assets Purchasing / Liabilities Selling) of financial assets and derivatives on the date of the consolidated financial statements in active markets represents the fair value of financial instruments and derivatives with market prices.

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.
- Option pricing models.

The valuation methods aim to obtain a fair value that reflects market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets. Moreover, financial assets whose fair value cannot be measured reliably are stated at cost net of any impairment in their value.

Long term assets and liabilities that bear no interest are evaluated in accordance with the discounted cash flows using effective interest rate. Premiums and discounts are amortized within interest revenues or expense in the consolidated statement of income.

Impairment of Financial Assets
The Bank reviews the values 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 loss is determined as follows:

- Impairment in 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 value is recorded in the statement of income. Any surplus in the following period resulting from previous declines in the fair value of financial assets is taken to the consolidated statement of income.

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

	%
Buildings	2
Equipment and furniture	9-15
Vehicles	15
Computers	20

- When the carrying amounts of property and equipment exceed their recoverable values, assets are written down, and impairment losses are 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 of or when there is no expected future benefit from their use.

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

Employees' End of Service Indemnity
- The employees' end-of-service indemnities' provision (for employees not covered by Social Security) is calculated on the basis of one-month salary for each year of service.

- Payments to departing employees are deducted from the employees' end-of-service indemnities provision while the required provision for end-of-service indemnities for the year is recorded in the consolidated statement of income.

Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed 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 therefrom, partially or totally.
- The Bank calculates the deferred tax in accordance with IAS12.

Fiduciary Assets

Assets managed by the Bank on behalf of its customers and under their responsibility and are not recognized as assets of the Bank. Allowances for impairment are recorded for capital guaranteed portfolios that are managed on behalf of clients. Fees and commissions received for administering such assets are recognized in the consolidated statement of income.

Offsetting

Financial assets and financial liabilities are offset, and the net amount is reflected in the consolidated statement of financial position only when there are legal rights to offset the recognized amounts, the Bank intends to settle them on a net basis, or assets are realized and liabilities settled simultaneously.

Financial Derivatives and Hedge Accounting

Financial Derivatives Hedge

For hedge accounting purposes, the financial derivatives are stated at fair value, and hedges are classified as follows:

Fair Value Hedges

Hedge for the change in the fair value exposures of the Bank's assets and liabilities. When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the consolidated statement of income.

When the conditions of 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 statement of income for the same period.

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 effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in the consolidated statement owners' 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.

Hedge of Net Investments in Foreign Entities

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

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

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

Repurchase and Resale Agreements

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

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

Pledged Financial Assets as Collateral

These are the financial assets that are pledged for other parties as collateral for specific contractual period, both parties do not have the right to sell or re-pledge the asset unless they both agreed to these financial assets continues to be valued using the same accounting policies and classification.

Recognition of Income and Realization of Expenses

- Interest income is realized and recognized based on the effective interest method, except for interest and commission on non-performing facilities which are not recognized as revenue but taken to the interest and commission in suspense account.

- Expenses are recognized on the accrual basis.

- Commission is recorded as revenue when the related services are rendered, and dividend revenue from companies is recognized when earned (when approved by the Shareholders' General Assembly).

Trade Date Accounting
Sale or purchase of financial assets is recognized at the trade date, i.e. the date that the Bank commits to purchase or sell the asset.

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

The Bank has started to book a gradual provision for the repossessed assets which are being held for more than four years in accordance to the Central Bank of Jordan circular number 10/1/4076 dated March 27, 2014 and 10/1/7096 dated June 8, 2014. As per the Central Bank of Jordan Circular No. 10/1/16607 dated January 17, 2017 and in light of IFRS (9) adoption and its direct impact on the consolidated financial statements of the bank, it was decided to stop the Circular rules mentioned above for the year 2018 and continue on booking provisions in the year 2019.

Intangible Assets
Intangible assets acquired through a business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.

Intangible assets are classified on the basis of their useful life as definite and indefinite useful lives. Intangible assets with finite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date or when there is an indication that the intangible asset may be impaired.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of income.

Indications of impairment of intangible assets are reviewed for and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.

Computers software and applications are amortized according to the straight-line method over their estimated economic useful lives at an annual amortization rate of 20%.

Foreign Currencies

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

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

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

- Gains and 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 shares) are recorded as part of the change in fair value.

Upon the consolidation of the financial statements at the reporting date, the assets and liabilities of foreign subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange ruling at the consolidated statement of financial position date and as per declared by the Central Bank of Jordan, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of an entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is transferred to the revenues/expenses in the consolidated statement of income.

Cash and Cash Equivalents
Cash and cash equivalents are balances, maturing within three months, which comprise of cash and balances with Central Banks, balances with banks and financial institutions, less bank deposits and balances due to banks and financial institutions maturing within three months and restricted funds.

3. Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of financial assets, liabilities and disclosure of contingent liabilities. These estimates and assumptions also affect the revenues, expenses and the resultant provisions as well as fair value changes reported in equity. In particular, considerable judgment by the 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, uncertainty and actual results that may differ resulting in future changes.

The management believes that their estimates in the consolidated financial statements are reasonable and detailed and as follow:

- A provision for credit facilities is taken on the basis and estimates approved by management in conformity with International Financial Reporting Standards (IFRSs), The outcome of these basis 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 losses on the valuation of repossessed real estate properties are determined based on appraisal reports prepared by certified appraisers and reviewed periodically. Starting from the year 2015, a gradual provision has been booked for the value of repossessed assets against debts which are being held for more than 4 years in accordance to the central Bank of Jordan circular number 10/1/4076 dated March 27, 2014. As per the Central Bank of Jordan Circular No. 10/1/16607 dated January 17, 2017 and in light of IFRS (9) adoption and its direct impact on the consolidation financial statements of the bank, it was decided to stop the Circular rules mentioned above for the year 2018 as to continue on booking provisions in the year 2019

- 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.
- Management frequently reviews the financial assets stated at cost to estimate any impairment in their value, Impairment loss (if any) is taken to the consolidated statement of income.

- 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, and such legal assessments are reviewed periodically.

- 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. The deferred tax assets and liabilities are conducted and booked.

- Fair value hierarchy: The bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety segregating fair value measurements in accordance with the levels defined in IFRS, The difference between Level 2 and Level 3 fair value measurements i,e, assessing whether inputs are observable and whether the unobservable inputs are significant may require judgement and a careful analysis of the inputs used to measure fair value including consideration of factors specific to the assets or liability.

- In the opinion of the Bank's management the accounting estimates used within the consolidated financial statements are reasonable.

4. Cash and Balances at Central Banks

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Cash on hand	78,685,027	64,247,739
Balances at Central Banks:		
Current and demand accounts	121,091,791	71,243,366
Time and notice deposits	143,358,800	8,224,400
Statutory cash reserve	93,057,652	81,695,162
Certificate of Deposits	83,000,000	-
Total	519,193,270	225,410,667

- Restricted balances amounted to JD 9,358,800 as of December 31, 2017 (JD 8,224,400 as of December 31, 2016). In addition to the statutory cash reserve as stated above.

- There are no balances that mature in a period more than three months.

5. Balances at Banks and Financial Institutions

The details of this item are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current and demand accounts	864,923	896,556	17,570,330	36,907,332	18,435,253	37,803,888
Deposits maturing within 3 months or less	69,887,100	249,267,615	65,096,198	46,782,749	134,983,298	296,050,364
	70,752,023	250,164,171	82,666,528	83,690,081	153,418,551	333,854,252

- Non-Interest bearing balances at banks and financial institutions amounted to JD 18,435,253 as of December 31, 2017 (JD 37,803,888 as of December 31, 2016).

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

6. Deposits at Banks and Financial Institutions

The details of this item are as follows:

	December 31, Total	
	2017	2016
Deposit maturing within	JD	JD
More than 3 to 6 months	3,545,000	12,500,000
More than 6 to 9 months	34,438,353	24,199,984
More than 9 to 12 months	-	14,180,000
More than 12 months	56,511,550	22,663,084
Total	94,494,903	73,543,068

- There are no restricted deposits as of December 31, 2017 and 2016.

7. Financial Assets at fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Quoted Equities	22,275,220	23,963,344
Investment Funds *	-	1,859,240
Total	22,275,220	25,822,584

* This item represents the investment fund established in the Kingdom of Bahrain, managed by Al-Watanieh Financial Services Company (A wholly owned subsidiary) on behalf of the investors of the fund. On May 22, 2017 the Central Bank of Bahrain has agreed to liquidate the fund.

8. Financial Assets at Fair Value through other Comprehensive Income

The details of this item are as follows:

	December 31,	
	2017	2016
	JD	JD
Quoted Investments		
Quoted Equities	30,356,340	29,596,161
Total quoted investments	30,356,340	29,596,161
Unquoted Investments		
Unquoted Equities	2,433,562	1,906,132
Total unquoted investments	2,433,562	1,906,132
Total	32,789,902	31,502,293

- Dividends from financial assets at fair value through other comprehensive income as of December 31, 2017 amounted to JD 1,106,046 (JD 1,117,217 as of December 31, 2016).

- Fair value calculation for unlisted Investments are based on most recent financial data available.

9. Direct Credit Facilities - Net

The details of this item are as follows:

	2017	2016
	JD	JD
Consumer lending		
Overdrafts	14,728,712	8,221,354
Loans and bills *	669,547,712	632,917,856
Credit cards	12,105,757	10,070,530
Others	6,414,174	6,109,762
Residential mortgages	200,985,070	171,512,514
Corporate lending		
Overdrafts	89,583,243	99,378,606
Loans and bills *	261,654,297	203,901,684
Small and medium enterprises lending "SMEs"		
Overdrafts	18,052,190	13,755,261
Loans and bills *	95,987,720	52,266,535
Lending to governmental sectors	228,071,091	216,615,307
Total	1,597,129,966	1,414,749,409
Less: Suspended interest	(10,530,187)	(10,794,925)
Less: Allowance for impairment losses	(48,663,030)	(47,675,336)
Direct credit facilities, net	1,537,936,749	1,356,279,148

* Net of interest and commissions received in advance amounting to JD 5,120,656 as of December 31, 2017 (JD 5,251,444 as of December 31, 2016).

- Non-performing credit facilities amounted to JD 71,150,725 as of December 31, 2017 (JD 59,328,905 as of December 31, 2016), representing 4.45% (2016: 4.19%) of gross direct credit facilities granted.

- Non-performing credit facilities, net of suspended interest, amounted to JD 60,662,281 as of December 31, 2017 (JD 48,701,464 as of December 31, 2016), representing 3.82% (2016: 3.47%) of gross direct credit facilities granted after excluding the suspended interest.

- Credit facilities granted to the Government of Jordan amounted to JD 90,637,784 as of December 31, 2017 (JD 102,143,212 as of December 31, 2016), representing 5.68% (2016: 7.22%) of gross direct credit facilities granted.

- Credit facilities granted to the public sector in Palestine amounted to JD 63,669,699 as of December 31, 2017 (JD 55,232,268 as of December 31, 2016), representing 3.99% (2016: 3.9%) of gross direct credit facilities granted.

Allowance for impairment losses:

The following is the movement on the allowance for impairment losses in direct credit facilities:

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
December 31, 2017					
Balance – beginning of the year	29,543,906	1,992,190	8,898,201	7,241,039	47,675,336
Deducted from income during the year	5,527,536	268,457	(387,927)	(1,615,520)	3,792,546
Used from provision during the year (written-off)	(1,958,971)	-	(1,019,292)	(5,406)	(2,983,669)
Revaluation difference	81,915	22,100	45,852	28,950	178,817
Balance – End of the Year	33,194,386	2,282,747	7,536,834	5,649,063	48,663,030
Specific impairment on individual customers:					
Non – performing	27,504,672	2,243,640	7,488,825	5,530,338	42,767,475
Watch list	1,272,116	39,107	48,009	118,725	1,477,957
Collective impairment on non-performing portfolio	4,417,598	-	-	-	4,417,598
Balance – End of the Year	33,194,386	2,282,747	7,536,834	5,649,063	48,663,030
December 31, 2016					
Balance – beginning of the year	31,121,763	2,154,700	5,863,690	7,159,293	46,299,446
Deducted from income during the year	237,801	(162,510)	3,031,382	106,807	3,213,480
Used from provision during the year (written-off)	(1,833,783)	-	-	(27,872)	(1,861,655)
Revaluation difference	18,125	-	3,129	2,811	24,065
Balance – End of the Year	29,543,906	1,992,190	8,898,201	7,241,039	47,675,336
Specific impairment on individual customers:					
Non - performing	23,291,318	1,952,761	8,605,678	7,205,336	41,055,093
Watch list	893,378	39,429	292,523	35,703	1,261,033
Collective impairment on non-performing portfolio	5,359,210	-	-	-	5,359,210
Balance – End of the Year	29,543,906	1,992,190	8,898,201	7,241,039	47,675,336

Provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 8,846,091 as of December 31, 2017 (JD 7,122,651 as of December 31, 2016).

Suspended Interest:

The movement on interest in suspense was as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
December 31, 2017					
Balance - beginning of the year	1,413,098	101,012	7,332,991	1,947,824	10,794,925
Add: Suspended interest during the year	423,668	84,572	826,170	(60,507)	1,273,903
Less: Interest reversed to income during the year	(166,515)	(15,069)	(137,292)	(582,606)	(901,482)
Less: Amounts written off	(16,090)	-	(600,724)	(20,345)	(637,159)
Balance - End of the Year	1,654,161	170,515	7,421,145	1,284,366	10,530,187
December 31, 2016					
Balance – beginning of the year	1,080,088	38,470	7,383,838	1,764,496	10,266,892
Add: Suspended interest during the year	512,577	62,542	97,105	232,875	905,099
Less: Interest reversed to income during the year	(84,208)	-	(194,691)	(56,559)	(335,458)
Less: Amounts written off	(95,359)	-	46,739	7,012	(41,608)
Balance - End of the Year	1,413,098	101,012	7,332,991	1,947,824	10,794,925

Direct Credit Facilities are divided according to Geographical locations and Economic sectors as follows:

Economic Sector	Inside the kingdom	Outside the kingdom	December 31 2017	2016
	JD	JD	JD	JD
Financing	22,071,940	-	22,071,940	14,096,839
Manufacturing	35,329,146	22,811,525	58,140,671	33,585,102
Commercial	183,419,378	134,541,768	317,961,146	257,469,321
Real Estate	193,568,208	70,714,249	264,282,457	228,732,228
Agriculture	3,755,391	271,690	4,027,081	6,931,110
Stocks	5,768,959	424,440	6,193,399	7,182,737
Individual	592,675,497	103,706,684	696,382,181	650,136,765
Governmental and General sector	164,401,392	63,669,699	228,071,091	216,615,307
	1,200,989,911	396,140,055	1,597,129,966	1,414,749,409

10. Financial Assets at Amortized Cost – Net

This item consists of the following:

	December 31, 2017	December 31, 2016
	JD	JD
Quoted Investments		
Foreign government treasury bonds	3,921,210	1,630,068
Corporate debt securities	17,272,992	17,559,550
Total quoted investments	21,194,202	19,189,618
Unquoted Investments		
Treasury bills	59,869,256	12,887,124
Government treasury bonds	213,360,406	260,373,453
Governmental debt securities	656,734	2,603,250
Corporate debt securities	30,283,600	41,311,650
Less: impairment losses	-	(141,800)
Total unquoted investments	304,169,996	317,033,677
Total financial assets at amortized cost	325,364,198	336,223,295
Analysis of bonds and treasury bills		
Fixed rate	325,364,198	335,337,045
Floating rate	-	886,250
Total	325,364,198	336,223,295

The movement on the impairment losses is as follows:

	2017	2016
	JD	JD
Beginning balance	141,800	141,800
Additions	-	-
Impairment During the year	(141,800)	-
Ending balance	-	141,800

11. Financial Assets Pledged as Collateral

This item consists of the following:

	2017		2016	
	Financial assets pledged as collateral	Related financial liabilities	Financial assets pledged as collateral	Related financial liabilities
	JD	JD	JD	JD
Financial asset at amortized cost	4,589,000	4,589,000	13,476,000	13,476,000

These bonds were collateralized against the borrowed funds obtained from the Central Bank of Jordan for financing industrial loans and SMEs.

12. Property and Equipment - Net

This item consists of the following:

	Lands	Buildings	Furniture & Fixtures	Vehicles	Computers	Projects In Progress	Total
2017	JD	JD	JD	JD	JD	JD	JD
Cost:							
Balance - beginning of the year	2,144,042	22,165,744	41,848,381	1,686,748	30,078,897	1,718,695	99,642,507
Additions	-	435,148	1,034,914	149,392	1,843,082	1,532,980	4,995,516
Transferred	-	-	132,298	-	1,003,172	(1,135,470)	-
Disposals	-	-	(435,804)	-	(561,359)	-	(997,163)
Balance - End of the Year	2,144,042	22,600,892	42,579,789	1,836,140	32,363,792	2,116,205	103,640,860
Accumulated depreciation:							
Balance - beginning of the year	-	4,004,779	29,372,673	1,113,527	22,818,314	-	57,309,293
Depreciation for the year	-	434,977	2,815,809	162,481	2,509,141	-	5,922,408
Disposals	-	-	(424,384)	-	(560,278)	-	(984,662)
Balance - End of the Year	-	4,439,756	31,764,098	1,276,008	24,767,177	-	62,247,039
Net Book Value of Property and Equipment - End of the Year	2,144,042	18,161,136	10,815,691	560,132	7,596,615	2,116,205	41,393,821
2016							
Cost:							
Balance - beginning of the year	1,274,879	13,876,480	39,074,808	1,487,748	26,631,393	889,408	83,234,716
Additions	869,163	8,289,264	2,683,837	199,000	3,674,477	1,383,147	17,098,888
Transferred	-	-	354,792	-	199,068	(553,860)	-
Disposals	-	-	(265,056)	-	(426,041)	-	(691,097)
Balance - End of the Year	2,144,042	22,165,744	41,848,381	1,686,748	30,078,897	1,718,695	99,642,507
Accumulated depreciation:							
Balance - beginning of the year	-	3,666,510	27,068,839	945,809	21,065,033	-	52,746,191
Depreciation for the year	-	338,269	2,559,622	167,718	2,178,528	-	5,244,137
Disposals	-	-	(255,788)	-	(425,247)	-	(681,035)
Balance - End of the Year	-	4,004,779	29,372,673	1,113,527	22,818,314	-	57,309,293
Net Book Value of Property and Equipment - End of the Year	2,144,042	18,160,965	12,475,708	573,221	7,260,583	1,718,695	42,333,214

Fully depreciated property and equipment amounted to JD 38,336,080 as of December 31, 2017 (JD 36,398,525 as of December 31, 2016) and are still being used by the Bank. The estimated cost to complete of the projects under construction amounted to JD 1,291,314 as of December 31, 2017 (JD 3,599,638 as of December 31, 2016).

13. Intangible Assets - Net

This item consists of the following:

	Computer software	
	2017	2016
	JD	JD
Balance-beginning of the year	10,049,033	10,191,209
Additions	3,149,982	2,623,285
Amortization for the year	(3,253,691)	(2,765,461)
Balance-End of the Year	9,945,324	10,049,033

14. Other Assets

This item consists of the following:

	2017	2016
	JD	JD
Accrued income	10,583,723	10,803,301
Prepaid expenses	7,478,829	7,237,323
Repossessed Assets – net *	12,818,968	11,849,384
Accounts receivable – net	2,517,324	807,028
Clearing checks	10,662,124	2,683,260
Settlement guarantee fund	25,000	25,000
Trading settlement account	-	144,486
Refundable deposits	570,201	499,820
Deposits at Visa International	1,999,401	1,765,431
Others	547,233	604,287
Total	47,202,803	36,419,320

Movement on repossessed assets during the year is as follows:

	2017	2016
	JD	JD
Balance-beginning of the year	14,903,284	13,328,163
Additions	575,601	1,869,802
Disposals	(606,017)	(294,681)
Total	14,872,868	14,903,284
Impairment of repossessed assets	(861,619)	(668,915)
Impairment of repossessed assets as per the Central Bank of Jordan instructions	(1,192,281)	(2,384,985)
Total	12,818,968	11,849,384

** A summary of the impairment movement on repossessed assets:

	2017	2016
	JD	JD
Balance-beginning of the year	3,053,900	3,053,900
Reposed	(1,000,000)	-
Balance-End of the Year	2,053,900	3,053,900

* As per the Central Bank of Jordan instructions the repossessed assets should be sold within two years of repossession, and can be extended under exceptional circumstances by the Central Bank of Jordan for a maximum of four years. In addition, the Bank has started to book a gradual provision for the repossessed assets which are being held for more than four years in accordance to the Central Bank of Jordan circular number 10/1/4076 dated March 27, 2014 and 10/1/7096 dated June 8, 2014. As per the Central Bank of Jordan Circular No. 10/1/16607 dated January 17, 2017 and in light of IFRS (9) adoption and its direct impact on the consolidated financial statements of the bank, it was decided to stop the Circular rules mentioned above for the year 2018 and continue on booking provisions in the year 2019.

15/a. Banks and Financial Institutions Deposits

This item consists of the following:

	Inside Kingdom		Outside Kingdom		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current and call accounts	38,314,784	18,413,140	4,935,046	8,676,899	43,249,830	27,090,039
Deposits maturing within 3 months or less	166,248,816	121,674,554	149,383,561	174,303,321	315,632,377	295,977,875
Deposits maturing within more than 3 months to 6 months	407,471	-	-	-	407,471	-
Deposits maturing within more than 6 months to 9 months	15,000,000	10,000,000	-	-	15,000,000	10,000,000
Deposits maturing within more than a year	43,000,000	25,889,180	30,000,000	-	73,000,000	25,889,180
Total	262,971,071	175,976,874	184,318,607	182,980,220	447,289,678	358,957,094

15/b. Customers' Deposits

This item consists of the following:

	Consumer	Corporate	SMEs	Governmental and public sectors	Total
	JD	JD	JD	JD	JD
December 31, 2017					
Current and demand accounts	254,374,906	85,579,283	44,992,822	61,703,911	446,650,922
Saving accounts	457,349,099	3,663,774	3,481,364	94,760	464,588,997
Time and notice deposits	353,901,940	262,600,668	22,181,091	199,870,328	838,554,027
Certificate of Deposits	70,900	-	-	-	70,900
Total	1,065,696,845	351,843,725	70,655,277	261,668,999	1,749,864,846
December 31, 2016					
Current and demand accounts	251,480,965	122,303,996	35,000,081	65,378,681	474,163,723
Saving accounts	386,621,967	1,538,676	2,828,631	25,797	391,015,071
Time and notice deposits	297,920,365	106,399,338	20,034,467	257,913,284	682,267,454
Total	936,023,297	230,242,010	57,863,179	323,317,762	1,547,446,248

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 244,216,056, equivalent to 13.96 % of total deposits as of December 31, 2017 (JD 294,349,416, equivalent to 19.02% of total deposits of December 31, 2016).

- There are no restricted deposits as of December 31, 2017 and 2016.

- Non-interest bearing deposits amounted to JD 641,654,320 as of December 31, 2017 (JD 661,471,137 as of December 31, 2016) representing 36.67% (2016: 42.75%) of total deposits.

- Dormant accounts amounted to JD 38,240,608 as of December 31, 2017 (2016: JD 38,624,515 as of December 31, 2016).

16. Margin Accounts

This item consists of the following:

	2017	2016
	JD	JD
Margins on direct credit facilities	28,922,645	61,513,288
Margins on indirect credit facilities	13,669,100	13,294,341
Deposits against brokerage margin accounts	4,575,365	3,645,205
Others	4,100,607	3,024,013
Total	51,267,717	81,476,847

17. Borrowed Funds

This item consists of the following:

	Amount	No. of instalments Total	Outstanding	Payable Every	Maturity Date	Collaterals	Interest rate
December 31, 2017	JD						%
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845%-4.895%
Amounts borrowed from French Development Agency	2,658,750	20	15	Semi-annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan*	9,500,000	10	10	Semi-annually	2028	None	2.7%
Amounts borrowed from Central Bank of Jordan**	28,186,840	140	140	At maturity / Per Loan	2018-2026	Treasury Bills	1%-2%
Amounts borrowed from Central Bank of Jordan*	2,232,042	14	13	Semi-annually	2028	None	2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	5,064,286	7	5	Semi-annually	2020	None	3.25%
Amounts borrowed from Central Bank of Jordan*	4,100,000	20	20	Semi-annually	2031	None	2.8%
Jordan Mortgage Refinance Company ***	30,000,000	1	1	At maturity	2019	None	4.4%
Jordan Mortgage Refinance Company ***	5,000,000	1	1	At maturity	2020	None	5.8%
Amounts borrowed from Central Bank of Jordan	1,434,528	34	34	Semi-annually	2039	None	3.0%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,080,000	7	7	Semi-annually	2021	None	4.8%
Union Bank	2,000,000	6	6	Quarterly	2021	None	6.0%
Societe Generale Banque de Jordanie	977,778	45	44	Monthly	2021	None	6.75%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	114,906,448						
December 31, 2016							
Amounts borrowed from overseas investment company (OPIC)	15,598,000	1	1	At maturity	2034	None	4.845%-4.895%
Amounts borrowed from French Development Agency	3,013,250	20	17	Semi-annually	2025	None	3.358%
Amounts borrowed from Central Bank of Jordan	9,500,000	10	10	Semi-annually	2028	None	2.5%
Amounts borrowed from Central Bank of Jordan	19,389,623	71	71	At maturity /per loan	2017-2022	Treasury Bills	1%- 2.5%
Amounts borrowed from Central Bank of Jordan	2,400,000	14	14	Semi-annually	2028	None	2.5%
Amounts borrowed from European Bank for Reconstruction and Development (EBRD)	7,090,000	7	7	Semi-annually	2020	None	1.75%-3.25%
Amounts borrowed from Central Bank of Jordan	4,100,000	20	20	Semi-annually	2031	None	2.39%
Jordan Mortgage Refinance Company	30,000,000	1	1	At maturity	2019	None	4.4%
Amounts borrowed from International Financial Markets	1,074,224	1	1	-	None	None	-
Total	92,165,097						

* The borrowed funds from Central Bank of Jordan for SMEs loans were re-lent on an average interest rate of 8.5% and the loan repayment to Central Bank of Jordan will start after 5 years from granting day.

** The borrowed funds from Central Bank of Jordan for industrial, energy, agriculture and tourism financing loans were re-lent on an average interest rate of 4.5%.

*** Residential loans acquired from Jordan Mortgage Refinance Company amounted to JD 29,578,514 as of December 31, 2017 at a fixed rate of 7.1%.

18. Sundry Provisions

This item consists of the following:

	Balance - beginning of the year	Additions during the year	Utilised during the year	Reversed to income	Balance - End of the Year
	JD	JD	JD	JD	JD
2017					
Provision for lawsuits against the Bank	4,421,931	-	(134,428)	-	4,287,503
Provision for end of service indemnity	8,436,599	1,349,958	(726,080)	(400,617)	8,659,860
Other contingent liabilities	2,142,043	2,079,000	-	-	4,221,043
Total	15,000,573	3,428,958	(860,508)	(400,617)	17,168,406
2016					
Provision for lawsuits against the Bank	5,496,016	-	(34,585)	(1,039,500)	4,421,931
Provision for end of service indemnity	8,010,905	1,180,549	(754,855)	-	8,436,599
Other contingent liabilities	63,043	2,079,000	-	-	2,142,043
Total	13,569,964	3,259,549	(789,440)	(1,039,500)	15,000,573

19. Income Tax

A. Income Tax liabilities

The movements on the income tax provision were as follows:

	December 31, 2017	December 31, 2016
	JD	JD
Balance - beginning of the year	20,892,898	23,599,266
Income tax paid	(16,468,215)	(20,104,075)
Income tax payable	12,896,778	15,559,626
Amortization of deferred tax liabilities	-	1,838,081
Balance - End of the Year	17,321,461	20,892,898

Income tax appearing in the income statement represents the following:

	For the Year Ended December 31,	
	2017	2016
	JD	JD
Income tax for the year	12,896,778	15,559,626
Amortized deferred Tax liabilities	(964,413)	-
Deferred Tax Assets	(4,941)	(369,948)
Income Tax for the Year's Profits	11,927,424	15,189,678

- The statutory tax rate on banks in Jordan is 35% and the statutory tax rate on foreign branches and subsidiaries range between 0%-31% (income tax rate for banks in Palestine is 15% plus VAT of 16%)

- The Bank reached a final settlement with the Income and Sales Tax Department for the year ended December 31, 2015 for the branches in Jordan. The Income and Sales Tax Department has not reviewed the accounts for the year 2016 up to the date of these consolidated financial statement.

- A final settlement was reached with the tax authorities for Palestine branches for the year ended December 31, 2016.

- Al-Watanieh Financial Services Company reached a final settlement with the Income and Sales Tax Department up to the year 2009. The Income and Sales Tax Department has reviewed 2010 and 2011 records and estimated the tax payable for these years at JD 318,664 for the amount paid. This decision was objected by the company in the specialized courts where a decision was issued by the Court of First Instance in June 2016 to annul a claim, consider it voided and return it in order to be corrected to the Sales and Tax Department. This decision has been confirmed during the appeal stage in October 2016. Based on court's decision, the Income Tax Department reissued certificates with the same amounts. As a result, the company appealed against the decision, for which an objection was issued in June 2017 and therefore the appeal was filed before the courts which ended in July 2017. The court is still awaiting to correct the legal procedures, even though the legal period available after submitting the statements has passed by 4 years. The sales and Income Tax Department reviewed the company's records for the years 2012, 2013 and 2014 and estimated the tax payable for these years was JD 1,222,807 for the exceeding of paid amounts. The company had filed an appeal at specialized courts and no court decision has been made until this day. The Sales and Income Tax Department has not reviewed the accounts for the year 2015 and 2016 up to the date of these consolidated financial statement.

- Al-Watanieh Securities Company – Palestine reached a final settlement with the Income tax Department for the year 2015. The Income and Sales Tax Department has not reviewed the accounts for the year 2016 up to the date of these consolidated financial statement.

- Tamallak for leasing Company financial statements has reached a final settlement with the Income and Sales tax Department for the year 2015. They have submitted their estimation for the year 2016 but the Income and Sales Tax Department has not reviewed the accounts for the year 2016, up to the date of these consolidated financial statement.

- In the opinion of the Bank's management, income tax provisions as of December 31, 2017 are sufficient to face any future tax liabilities.

Deferred Tax assets and Liabilities

The movement on temporary differences giving rise to deferred tax assets and liabilities are:

Accounts Included	2017						2016
	Balance - beginning of the Year	Amounts Released	Amounts Additions	Balance - End of the Year	Deferred Tax		
	JD	JD	JD	JD	JD		JD
Deferred tax assets							
Allowance for impairment losses	4,341,278	(1,464,913)	589,238	3,465,603	1,148,145		1,519,447
Interest in suspense	-	-	139,971	139,971	33,593		-
Non-deductible expenses resulting from temporary differences	260,000	(100,000)	-	160,000	56,000		91,000
Sundry provisions	1,088,385	-	2,079,000	3,167,385	1,108,585		380,935
Impairment on repossessed assets	2,750,000	(1,000,000)	-	1,750,000	612,500		962,500
Unrealized Losses – financial assets at FVTOCI	15,804,805	(2,318,154)	727,369	14,214,020	2,784,183		3,316,477
	24,244,468	(4,883,067)	3,535,578	22,896,979	5,743,006		6,270,359
Deferred tax liabilities							
Unrealized Gain – financial assets at FVTOCI	2,681,127	(371,882)	340,211	2,649,456	224,982		540,283
Unrealized gain – financial assets at FVTPL (early IFRS 9 implementation)	5,665,008	(214,146)	-	5,450,862	545,086		567,027
Difference in depreciation rates	2,692,778	(2,692,778)	-	-	-		942,472
	11,038,913	(3,278,806)	340,211	8,100,318	770,068		2,049,782

The movement on deferred tax assets and liabilities accounts is as follows:

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance - beginning of the year	6,270,359	2,049,782	4,265,762	2,149,293
Additions	1,157,240	161,216	2,151,556	14,644
Disposal	(1,684,593)	(1,440,930)	(146,959)	(114,155)
Balance - End of the Year	5,743,006	770,068	6,270,359	2,049,782

Summary of Reconciliation between Accounting Profits and Taxable Profit:

	2017	2016
	JD	JD
Accounting profit	41,895,204	49,923,557
Non-taxable profit	(11,149,311)	(7,775,733)
Non-deductible expenses	8,833,140	5,806,073
Taxable profit	39,579,033	47,953,897
Effective rate of income tax	32.6%	30.4%

Deferred tax is calculated using the tax rates that are expected to be applied when the deferred tax asset will be realized or the deferred tax liability will be settled. The Bank used a tax rate of 35% and 10% for foreign investments in Jordan, based on the Income Tax Law no.34 of 2014 which is effective from January 1, 2015. The Bank uses a tax rate of 20% for the deferred tax assets and liabilities for the Branches in Palestine.

20. Other Liabilities

This item consists of the following:

	2017	2016
	JD	JD
Accrued interest	8,544,624	4,246,466
Accrued income	461,644	1,023,780
Accounts payable	5,989,197	2,898,141
Accrued expenses	9,551,022	6,616,674
Temporary deposits	15,480,984	13,880,874
Checks and withdrawals	5,358,022	4,420,043
Others	3,319,670	2,798,704
	48,705,163	35,884,682

21. Paid up Capital

The authorized and paid up capital amounted to JD 180,000,000 divided into 180,000,000 shares at a par value of JD 1 per share as of December 31, 2017 and 2016.

The General Assembly decided in its ordinary meeting held on April 27, 2017 distributing 12% of par value of one share.

22. Reserves

Statutory Reserve

This item represents all the amounts that has been transferred to the annual profit before tax of 10% during the year and prior years as required by the banks and Company's Law. This reserve is not available for distribution to shareholders.

General Banking Risk Reserve

This item represents the General Banking Risk Reserve as required by the Central Bank of Jordan.

Cyclical Fluctuations Reserve

This balance represents 15% of the net profit for Palestine branches transferred to the cyclical fluctuations reserve yearly, the deduction continues until it reaches 20% of the paid-up capital for Palestine branches according to the Palestine Monetary Authority regulations.

The use of the following reserves is restricted by law:

Reserve Name	Amount	Restriction Law
Statutory reserve	69,955,203	Banks and companies Laws
General banking risk	16,597,081	Central Bank of Jordan regulations and Palestine Monetary Authority regulations
Cyclical Fluctuations	7,756,997	Palestine Monetary Authority regulations

23. Fair Value Reserve - Net

The movement is as follows:

	December 31,	
	2017	2016
	JD	JD
Beginning balance	(10,347,484)	(6,917,105)
Unrealized gains (losses)	1,612,246	(194,219)
(Gain) from sale financial assets at fair value through other comprehensive income	(53,133)	(3,418,582)
Deferred tax assets	(532,294)	82,911
Deferred tax liability	315,301	99,511
Ending balance	(9,005,364)	(10,347,484)

- The fair value reserve is presented net of deferred tax assets in the amount of JD 2,784,183 and net of deferred tax liabilities in the amount of JD 224,982.

24. Retained Earnings

This item consists of the following:

	December 31,	
	2017	2016
	JD	JD
Beginning balance	70,184,530	74,934,813
Profit for the year	30,336,470	35,056,003
Transferred to statutory reserve	(4,119,128)	(4,847,853)
Transferred to general banking risk reserve	(2,615,079)	(1,312,002)
Transferred to cyclical fluctuations reserve	(940,081)	(914,867)
Stock dividends	-	(20,000,000)
Cash dividends	(21,600,000)	(16,000,000)
Capital increase related expenses	(20,085)	(150,146)
Net gain from sale of financial assets at fair value through other comprehensive income	53,133	3,418,582
Ending balance	71,279,760	70,184,530

Retained earnings balance include unrealized gains amounting to JD 14,235,708 resulted from the early implementation of IFRS 9. This amount is not available for distribution in accordance with the Securities Commission instructions, except for the amounts realized through the sale of the financial assets.

Retained earnings include deferred tax assets amounted to JD 5,743,006 as of December 31, 2017 which is not available for distribution in accordance with the Central Bank of Jordan instructions (JD 6,270,359 as of December 31, 2016)

The amount JD 9,005,364 represents negative change for the assets in fair value reserve through other comprehensive income restricted from use as per the Central Bank of Jordan and the Securities Commission instructions.

25. Proposed Dividends

The Board of Directors recommend to the General Assembly on the meeting held February 11, 2018 the approval of the distribution of dividends to its shareholders in the amount of JD 21,600,000 equivalent to 12%.

26. Interest Income

This item consists of the following:

	For the year ended December 31,	
	2017	2016
	JD	JD
Direct Credit Facilities:		
Consumer lending		
Overdrafts	1,483,529	1,550,596
Loans and bills	63,256,067	58,225,406
Credit cards	2,468,015	2,266,963
Margin accounts - financial services	257,707	297,989
Residential mortgages	13,252,224	10,951,681
Corporate lending		
Large Corporate		
Overdrafts	5,899,560	5,432,764
Loans and bills	16,280,372	10,105,792
Small and medium enterprises lending		
Overdrafts	1,187,456	1,154,221
Loans and bills	3,718,527	3,007,363
Public and governmental sectors	10,727,265	8,958,122
Balances at Central Banks	7,565,841	353,813
Balances and deposits at banks and financial institutions	6,263,104	12,931,638
Financial assets at amortized cost	10,688,624	14,028,016
Total	143,048,291	129,264,364

27. Interest Expense

This item consists of the following:

	For the year ended December 31,	
	2017	2016
	JD	JD
Banks and financial institution deposits	9,660,869	4,936,732
Customers' deposits:		
Current and demand accounts	1,662,455	883,402
Saving accounts	3,003,194	1,389,080
Time and notice placements	27,864,716	18,817,866
Deposit Certificates	1,758	-
Margin accounts	801,294	1,303,764
Borrowed funds	3,702,686	1,972,522
Deposit guarantee fees	3,502,223	3,367,063
Total	50,199,195	32,670,429

28. Net Commission

This item consists of the following:

	2017	2016
	JD	JD
Direct credit facilities commission	6,425,358	6,520,470
Indirect credit facilities commission	1,431,372	1,614,188
Other commissions	12,213,544	12,006,470
Less: commission expense	(10,388)	(10,718)
Total Net Commission	20,059,886	20,130,410

29. Gain from Foreign Currencies

This item consists of the following:

	2017	2016
	JD	JD
Trading/ interaction in foreign currencies	192,954	209,386
Revaluation of foreign currencies	3,633,763	3,067,895
Total	3,826,717	3,277,281

30. Gains (Losses) from Financial Assets at Fair Value through Profit or Loss

This item consists of the following:

	Realized gains (losses)	Unrealized (losses)	Stock dividends	Total
	JD	JD	JD	JD
December 31, 2017				
Equities	26,800	(1,791,824)	1,879,766	114,742
Investment funds	(15,346)	-	-	(15,346)
Total	11,454	(1,791,824)	1,879,766	99,396
December 31, 2016				
Equities	(146,034)	(2,425,711)	2,028,769	(542,976)
Bonds	4,104	-	-	4,104
Investment funds	-	(199,069)	-	(199,069)
Total	(141,930)	(2,624,780)	2,028,769	(737,941)

31. Dividends Income from Financial Assets at Fair Value through Other Comprehensive Income

This item consists of the following:

	2017	2016
	JD	JD
Dividend income from companies shares	1,106,046	1,117,217

32. Other Income

This item consists of the following:

	2017	2016
	JD	JD
Suspended interest transferred to revenue	901,482	335,458
Box rental income	124,579	108,409
Revenues from selling check books	103,894	106,239
Collections of debts previously written off	1,069,785	1,123,593
Income from ATM and credit cards	5,016,685	4,687,531
(Losses) gains from sale of property and equipment	(4,872)	2,477
Gains from sale of assets repossessed by the Bank	92,942	150,044
Buildings Rent revenue	2,967	2,770
Brokerage commission	429,431	780,977
Others	293,855	175,166
Total	8,030,748	7,472,664

33. Employees' Expenses

This item consists of the following:

	2017	2016
	JD	JD
Employees' salaries, benefits and remuneration	33,891,990	32,463,861
Bank's contribution to social security	2,700,198	2,571,716
Bank's contribution to savings fund	477,686	472,800
End of service indemnity	240,589	634,850
Medical expenses	2,160,580	2,180,599
Employees' Training	379,936	313,656
Employees' uniforms	161,357	67,527
Others employees expenses	138,074	149,904
Total	40,150,410	38,854,913

34. Other Expenses

This item consists of the following:

	2017	2016
	JD	JD
Rent	3,878,101	3,615,314
Cleaning and maintenance	1,834,176	1,758,198
Water, heat and electricity	2,564,599	2,438,632
License and governmental fees	1,025,751	1,446,194
Printings and stationery	588,202	706,287
Donations and subvention	742,145	651,657
Insurance expenses	1,160,624	1,039,204
Subscriptions	711,657	938,459
Telephone and telex	540,191	478,087
Legal fees and expenses	397,038	459,329
Professional fees	1,062,916	1,044,751
Mail and money transfer	579,528	446,863
Advertising expense	3,641,489	2,553,791
Credit cards expenses	1,980,120	1,338,216
Board of directors expenses and remuneration	778,999	733,128
Information systems expenses and compensation	5,944,336	4,517,987
Travel and transportation	671,466	852,068
Consultation expenses	126,263	206,699
Other expenses	701,688	682,913
Total	28,929,289	25,907,777

35. Earnings per Share

This item consists of the following:

	For the year ended December 31,	
	2017	2016
Profit for the year attributable to bank's shareholders (JD)	30,336,470	35,056,003
Weighted average number of shares (share)	180,000,000	180,000,000
	Fils / JD	Fils / JD
Basic and diluted earnings per share(Bank Shareholders)	0/169	0/195

The Diluted earnings per share for the current year income is equal to the basic Earnings per share, because the bank has not issued any financial tools that convert to Stocks which it may affect the earnings per share for the current year.

36. Cash and Cash Equivalents End of the Year

This item consists of the following:

	December 31, 2017	December 31, 2016
	JD	JD
Cash and balances with Central Banks maturing within 3 months	519,193,270	225,410,667
Add: Balances at banks and financial institutions' maturing within 3 months	153,418,551	333,854,252
Less: Banks and financial institutions' deposits maturing within 3 months	358,882,207	323,067,914
Restricted cash balances	.9,358,800	8,224,400
Total	304,370,814	227,972,605

37. Derivative Financial Instruments

The derivative financial instruments details as of year-end are shown in the table below:

	Positive fair value	Negative fair value	Total notional amount (Par)	Par value maturities: Within 3 months	3 – 12 months	1 – 3 years	More than 3 years
	JD	JD	JD	JD	JD	JD	JD
2017 -							
Interest rate swap							
2016 -							
Interest rate swap	-	-	182,173	182,173	-	-	-

The notional amount (par value) indicates the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

38. Related Party Transactions

The accompanying consolidated financial statements of the Bank include the following subsidiaries:

Company name	Ownership	Paid in capital December 31,	
		2017	2016
	%	JD	JD
Al-Watanieh Financial Services Company Limited Liability	100	5,000,000	5,000,000
Al-Watanieh Securities Company private shareholding	100	1,600,000	1,600,000
Tamallak for Financial Leasing Company	100	5,000,000	1,000,000
Safa Bank	79	53,175,000	53,175,000
Thimar for Investment Services*	100	70,900	70,900

The Bank entered into transactions with subsidiaries, major shareholders, directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates. All the credit facilities to related parties are performing facilities and are free of any provision.

The following related party transactions took place during the year:

	Related Parties			Total	
	Board of Directors and relatives	Executive management	Others*	December 31, 2017	December 31, 2016
	JD	JD	JD	JD	JD
Statement of Financial Position Items:					
Direct credit facilities	22,057,548	4,952,225	22,279,111	49,288,884	78,571,070
Deposits at the Bank	18,275,227	2,383,585	11,614,615	32,273,427	37,423,859
Margin accounts	781,247	64,636	41,416	887,299	35,822,466
Off Statement of Financial Position Items:					
Indirect credit facilities	2,976,103	-	414,631	3,390,734	2,838,501
				For the Year Ended December 31,	
				2017	2016
Income Statements Items:					
Interest and commission income	2,344,836	2,013,183	2,195,339	6,553,358	4,473,194
Interest and commission expense	740,396	23,028	115,886	879,301	1,513,843

* Others include the rest of bank employees and their relatives up to the third degree.

Credit interest rates on credit facilities in Jordanian Dinar range between 4% - 9.5%
Credit interest rates on credit facilities in foreign currency range between 4% - 4.75%
Debit interest rates on deposits in Jordanian Dinar range between 0% - 5.5%
Debit interest rates on deposits in foreign currency range between 0% - 3.5%

Salaries, wages and bonuses of executive management amounted to JD 2,304,966 as of December 31, 2017 (JD 2,374,809 as of December 31, 2016).

39. Risk Management

The Bank manages its risks through a comprehensive strategy for risk management by which the roles and responsibilities of all parties concerned are identified. These include the Board of Directors and subcommittees such as the Risk Committee, the Investment Committee and Audit and Compliance Management Committee, in addition to the executive management and its subcommittees, such as Assets and Liabilities Committee, Procedures Development Committee, Credit committees and other specialized Departments such as the Risk Management Department, Compliance Department and the Audit Department. Furthermore, all of the Bank's business units are considered responsible for identifying the risks associated within their banking operations and committed to applying the appropriate controls and monitoring their effectiveness and maintaining integrity within the internal control system.

The process of managing the risks within the Bank's activities include the identification, measurement, assessment and monitoring of financial and non-financial risks which could negatively affect the bank's performance and reputation or its goals ensuring that the bank achieves optimum yield in return for the risks taken.

The general framework of risk management at the Bank is in line with the size, complexity and nature of its operations, and in harmony with local regulations as well as taking into account the best international practices in this regard. The Bank's set of principles include the following:

1- The Board of Directors' responsibility for risk management. The risk committee of the board of directors does a periodic review of policies, strategies and risk management procedures of the bank, including setting acceptable risk limits.

2- The responsibility of the Board of Directors, represented by the Risk Committee in the development of the internal assessment of capital and analysis of current and future requirements for capital and as appropriate with the structure of the Bank's risk and strategic goals and taking action on particular in addition to its responsibility in ensuring a good system to evaluate the types of risks faced by the Bank and the development of the system to link these risks with the level of capital required to cover.

3- The responsibility of the Board of Directors to approve the policies developed by the executive management.

4- The risk management department, which is independent of other Bank's operations, reports to the Risk Committee on risk issues. For daily operations it is linked with the General Manager, and analyses all the risks including credit, market, liquidity and operational risk in addition to the development of measurement methodologies and controls for each type of risk as needed. The Risk Management Department also manages the process of Internal evaluation Capital Adequacy ICAAP in Cairo Amman Bank by using the comprehensive manner which is appropriate within their risk profile it also implements Basel requirements.

5 - Internal Audit department provides independent confirmation of the compliance of the working units with the policies and procedures of the risk committee set to manage risks and their efficiency.

6 - Managing risk is considered the responsibility of each unit and every employee of the Bank, in relation to those risks which are within their functions.

The bank is exposed to many risks, the following are the main risk categories:

- Credit Risk
- Market Risk
- Liquidity Risk
- Operational Risk
- Compliance Risk

Credit Risks:
Credit risk is the risk that may result from a lack of commitment or the inability of the other party of the financial instrument to fulfil its obligations to the Bank, leading to a financial loss. The bank manages its credit risk through the design and development of various policies that identify and address all aspects of granting and maintenance of credit in addition to determining the limits of credit facilities granted to clients and/or related groups as well as diversifying total credit facilities across sectors and geographical regions. The Bank also works continuously to evaluate the credit worthiness of customers, in addition to having appropriate collaterals.
The general framework for Credit Risk Management includes:

Credit Policies:
The Bank manages its credit risk through the annual policies set by the board of Directors in their credit policy including credit ceilings and various credit conditions, which are renewed annually, according to several changing factors and the results of the analysis, and studies which are approved by the board of directors, which includes mainly on principles of granting in the bank, stating authorities, collaterals and credit monitoring department the main frame of the Credit Risk Management. Moreover these policies define maximum credit limits given to any customer and / or group of related customers in addition to the distribution of credit according to geographical regions and different economic sectors. The Bank considers the diversification of portfolios as an important risk mitigation factor.

Customer Rating:
In order to develop credit risk Management at the bank, credit risks are performed internally which consists of customer credit risk rating; customers are rated according to their creditworthiness and ability to pay, in addition to assessing the quality of the facilities granted to clients, in terms of account activity and regularity of payment of principal and interest. The collaterals are classified according to type and percentage coverage of risk of granted facilities. Moreover the Bank periodically monitors the portfolios and their diversification, according to several classifications.

Mitigation Methodologies:
The Bank follows different procedures to mitigate risks, including determining the acceptable types of collaterals and their conditions , whereby good collaterals that can be liquidated at a reasonable time and value are accepted by the bank taking into consideration that the value of the collateral is not related to the business of the customer . Moreover, the Bank requires insurance policies on certain properties as a means of mitigating risks. The values of the collaterals are monitored on a regular basis and in the event of decrease in its value, additional collaterals are required.

Credit Granting:
The Bank adopts the principle of segregation of functions related to Risk Management in the Bank in line with best practices in this regard, clarifying the roles and responsibilities between each of the different credit functions (sales, credit approvals , credit administration, credit operations), to ensure a strong control and monitor over credit granting operations.

Credit decisions are checked against the credit policies and authority limits according to credit size and the collaterals against it, all documentations and contracts are reviewed before executing the credit to make sure of the segregation of functions.

Prior to granting facilities, legal documentation is done on the credit contracts and other documents related to the facilities, collaterals are checked against the credit condition agreed on and legal condition which retain the Bank rights.

Maintenance and Follow-up of Credit
The performance of the credit portfolio is continuously monitored to make sure it is within the acceptable risk limits and economic sector limits which identified by the board of directors to identify any increasing risk levels.
The Bank continuously monitors its non performing portfolios to identify any need for additional provisions.
There are specialized and independent departments responsible for managing irregular credit facilities and handle the task of their administration and collection. The Bank has allocated several monitoring departments to monitor and follow up credit and report any early warning indicators for follow-up and correction

1) Credit risk after net of allowances for impairment and suspended interest and before the effect of mitigation and collaterals.

	2017	2016
	JD	JD
On-Statement of Financial Position Items		
Cash and balances at Central Banks	440,508,243	161,162,928
Balances at banks and financial institutions	153,418,551	333,854,252
Deposits at banks and financial institutions	94,494,903	73,543,068
Direct credit facilities:		
Consumer lending	667,947,808	626,362,498
Residential mortgages	198,531,808	169,419,312
Large corporations	336,279,561	287,049,098
Small and medium enterprises	107,106,481	56,832,933
Lending to governmental sectors	228,071,091	216,615,307
Financial assets held at amortized cost, net	325,364,198	336,223,295
Financial assets pledged as collateral	4,589,000	13,476,000
Other assets	25,787,572	16,228,506
Total on-Statement of Financial Position Items	2,582,099,216	2,290,767,197
Off-Statement of Financial Position Items		
Letters of credit	49,861,134	32,092,230
Acceptances	949,305	1,563,898
Letters of guarantee	51,150,670	45,738,730
Irrevocable commitments to extend credit	116,648,187	92,169,757
Total off-Statement of Financial Position Items	218,609,296	171,564,615
Total on & off-Statement of Financial Position Items	2,800,708,512	2,462,331,812

- The table above represents the maximum credit risk for the bank as of 31 December 2017 and 2016 without taking the collaterals or effect of mitigation into consideration.
- The exposure mentioned above for on- statement of financial position items is based on the balance shown in the statement of financial position.

Types of collaterals against loans and credit facilities are as follows:
- Real estate properties.
- Financial instruments (equities and bonds).
- Bank guarantees.
- Cash collateral
- Government guarantees.

The management monitors the market value of these guarantees periodically and if the value of collateral decreased the bank requests additional collateral to cover the deficit, in addition, the bank assesses the collateral against non-performing credit facilities periodically.

2) The distribution of credit exposures in accordance with their risk classification is as follows:

	Consumer	Residential mortgages	Corporate	SMEs	Governmental and public sectors	Financial Institutions	Total
	JD	JD	JD	JD	JD	JD	JD
2017							
Low risk	4,837,122	770,243	10,441,799	5,818,377	800,114,213	-	821,981,754
Acceptable risk	657,703,481	191,257,252	318,337,907	99,749,367	154,601,721	305,108,581	1,726,758,309
Maturing:*							
Up to 30 days	875,389	151,653	1,968,190	900,367	-	-	3,895,599
From 31 to 60 days	195,097	15,423	2,544,282	71,711	-	-	2,826,513
Watch list	8,762,918	3,071,652	7,389,304	2,177,771	-	-	21,401,645
Non performing:							
Substandard	7,446,602	1,187,881	3,400,910	491,514	-	-	12,526,907
Doubtful	3,576,955	1,708,387	1,561,838	2,822,954	-	-	9,670,134
Loss	23,689,315	3,360,335	15,251,568	6,652,466	-	-	48,953,684
Total	706,016,393	201,355,750	356,383,326	117,712,449	954,715,934	305,108,581	2,641,292,433
Less: Suspended Interest	1,654,161	170,515	7,421,145	1,284,366	-	-	10,530,187
Less: provision for impairment losses	33,194,386	2,282,747	7,536,834	5,649,063	-	-	48,663,030
Net	671,167,846	198,902,488	341,425,347	110,779,020	954,715,934	305,108,581	2,582,099,216
2016							
Low risk	3,283,357	647,434	45,448,547	4,412,505	543,664,772	-	597,456,615
Acceptable risk	622,120,733	163,731,001	236,189,486	48,792,463	130,934,007	466,567,507	1,668,335,197
Maturing:*							
Up to 30 days	916,852	320,533	2,472,795	1,103,900	-	-	4,814,080
From 31 to 60 days	120,745	13,158	2,252,690	34,203	-	-	2,420,796
Watch list	6,736,893	3,288,188	12,049,354	2,042,306	-	-	24,116,741
Non performing:							
Substandard	3,090,080	677,102	-	171,531	-	-	3,938,713
Doubtful	5,454,347	759,383	773,140	1,596,817	-	-	8,583,687
Loss	18,689,070	2,751,282	15,277,500	10,088,653	-	-	46,806,505
Total	659,374,480	171,854,390	309,738,027	67,104,275	674,598,779	466,567,507	2,349,237,458
Less: Suspended Interest	1,413,098	101,012	7,332,991	1,947,824	-	-	10,794,925
Less: provision for impairment losses	29,543,906	1,992,190	8,898,201	7,241,039	-	-	47,675,336
Net	628,417,476	169,761,188	293,506,835	57,915,412	674,598,779	466,567,507	2,290,767,197

* Total balance of facilities becomes due if one of the instalment or interest is due and the overdraft account becomes due if it exceeds the limit.

Exposures to credit facilities includes, balances and deposit at banks and financial institutions, bonds and treasury bills and any assets with credit exposures.

Distribution of collaterals against credit facilities measured at fair value:

2017 -	Consumer	Residential mortgages	Corporate	SMEs	Governmental and public sectors	Total
	JD	JD	JD	JD	JD	JD
Low risk	4,837,122	770,243	10,441,799	5,818,377	2,005,608	23,873,149
Acceptable risk	41,236,465	204,689,598	138,471,229	44,625,224	-	429,022,516
Watch list	262,807	2,897,788	-	1,148,066	-	4,308,661
Non performing:						
Substandard	115,675	871,845	5,652,485	16,496	-	6,656,501
Doubtful	88,743	2,062,274	-	1,545,450	-	3,696,467
Loss	330,888	3,636,142	4,350,282	5,630,587	-	13,947,899
Total	46,871,700	214,927,890	158,915,795	58,784,200	2,005,608	481,505,193
Comprising of:						
Cash margin	4,837,122	770,243	10,441,799	5,818,377	2,005,608	23,873,149
Letters of guarantee	-	-	70,900	-	-	70,900
Real estate	14,852,770	213,324,218	117,225,365	45,551,553	-	390,953,906
Loans guarantee corporation	6,049,662	-	617,203	1,398,782	-	8,065,647
Quoted shares	13,083,567	15,807	19,262,309	320,087	-	32,681,770
Vehicles and machinery	8,048,579	817,622	11,298,219	5,695,402	-	25,859,822
Total	46,871,700	214,927,890	158,915,795	58,784,200	2,005,608	481,505,193
2016 -						
Low risk	3,283,357	647,434	45,804,436	4,412,505	-	54,147,732
Acceptable risk	36,860,393	165,958,357	72,163,887	20,301,778	-	295,284,415
Watch list	355,898	2,945,082	8,589,713	1,416,230	-	13,306,923
Non performing:						
Substandard	75,135	660,752	-	1,225,375	-	1,961,262
Doubtful	145,402	807,809	-	297,985	-	1,251,196
Loss	135,350	2,535,477	3,518,758	8,169,350	-	14,358,935
Total	40,855,535	173,554,911	130,076,794	35,823,223	-	380,310,463
Comprising of:						
Cash margin	3,283,357	647,434	45,804,436	4,412,505	-	54,147,732
Letters of guarantee	-	-	70,900	-	-	70,900
Real estate	9,997,741	172,844,302	61,221,584	23,585,608	-	267,649,235
Loans guarantee corporation	5,870,923	-	351,246	982,463		7,204,632
Quoted shares	6,875,787	-	4,982,763	2,708,684	-	14,567,234
Vehicles and machinery	14,827,727	63,175	17,645,865	4,133,963	-	36,670,730
Total	40,855,535	173,554,911	130,076,794	35,823,223	-	380,310,463

Rescheduled Debts:
Rescheduled debts are debts which have been previously classified as non-performing credit facilities, then excluded from the non-performing credit facilities as a result of a rescheduling process, and then classified as watch list. Rescheduled debts totalled to JD 7,976,992 as of December 31, 2017 (JD 5,840,549 as of December 31, 2016).

The balances of the rescheduled debts include the loans classified under watch list or converted to performing.

Restructured Debts:
Restructuring process refers to re-organizing the credit facilities' standing in respect of adjusting premiums, extending the life of the credit facilities, postponing some premiums or extending the grace period etc., and then classifying such facilities as watch list. Restructured debts totalled to JD 19,053,887 as of December 31, 2017 (JD 12,980,534 as of December 31, 2016).

3) **Bonds and Treasury Bills:**
The table below shows the classifications of bonds and treasury bills and their grading according to external rating agencies:

Risk Rating Class	External Rating Agency	Included in Financial Assets at Amortized Cost and Financial Assets Pledged as Collaterals
		JD
Baa1	Moody's	714,058
BAA3	Moody's	677,334
Non - rated		46,165,200
Governmental		282,396,606
Total		329,953,198

4) The distribution of credit exposures in accordance by the following geographical regions:

	Inside Jordan	Other Middle Eastern countries	Europe	Asia	Americas	Other	Total
	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks	376,298,420	64,209,823	-	-	-	-	440,508,243
Balances at banks and financial institutions	70,752,023	47,779,462	19,861,004	815,430	14,210,632	-	153,418,551
Deposits at banks and financial institutions	83,023,100	11,471,803	-	-	-	-	94,494,903
Direct credit facilities:							
Consumer lending	568,742,755	99,205,053	-	-	-	-	667,947,808
Residential mortgages	147,781,730	50,750,078	-	-	-	-	198,531,808
Large corporations	223,761,913	112,517,648	-	-	-	-	336,279,561
Small and medium enterprises	63,377,781	43,728,700	-	-	-	-	107,106,481
Lending to governmental and public sectors	164,401,392	63,669,699	-	-	-	-	228,071,091
Bonds and treasury bills within:							
Financial assets at amortized cost	305,878,875	18,450,278	1,035,045	-	-	-	325,364,198
Financial assets pledged as collateral	4,589,000	-	-	-	-	-	4,589,000
Other assets	17,238,335	6,543,385	2,005,852	-	-	-	25,787,572
December 31, 2017	2,025,845,324	518,325,929	22,901,901	815,430	14,210,632	-	2,582,099,216
December 31, 2016	1,850,501,566	412,738,554	23,841,209	811,803	2,874,065	-	2,290,767,197

5) The distribution of credit exposures in accordance by the following economic sector:

	Financial	Industrial	Commercial	Real estate*	Agriculture	Trading	Consumer	Public and Governmental	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks	-	-	-	-	-	-	-	440,508,243	440,508,243
Balances at banks and financial institutions	153,418,551	-	-	-	-	-	-	-	153,418,551
Deposits at banks and financial institutions	94,494,903	-	-	-	-	-	-	-	94,494,903
Direct credit facilities	22,071,940	56,740,751	294,415,140	261,509,365	3,630,524	3,550,130	667,947,808	228,071,091	1,537,936,749
Bonds and treasury bills within:									
Financial assets at amortized cost	31,317,281	-	16,239,311	-	-	-	-	277,807,606	325,364,198
Financial assets pledged as collateral	-	-	-	-	-	-	-	4,589,000	4,589,000
Other assets	3,805,906	3,109,037	11,427,309	370,680	114,608	-	3,220,038	3,739,994	25,787,572
December 31, 2017	305,108,581	59,849,788	322,081,760	261,880,045	3,745,132	3,550,130	671,167,846	954,715,934	2,582,099,216
December 31, 2016	466,567,507	30,972,854	255,856,122	226,537,103	6,589,356	5,062,871	624,582,605	674,598,779	2,290,767,197

* Real estate sector includes loans granted to corporates and mortgage loans.

Development of Credit Risk Measurement and Managing Credit Risk

Continuous review on best practices in managing credit risk specially in measuring risks and estimating the required capital in accordance with the central bank of Jordan instructions and the application of Basel III.

Market Risk

Is the risk resulting from fluctuations in the fair value or cash flows of financial instruments caused by the change in market prices such as interest rates and exchange rates and equity prices. Market risk arises due to the existence of open positions in interest rates, currencies and equity investments. Such risks are controlled in accordance to a specific set of policies and procedures and through specialized committees and related departments. Market Risk includes interest rates risk, foreign exchange risks and the risk of change in equity prices.

Market risk is measured and controlled through several methods, including sensitivity analysis and Stress Testing in addition to stop loss limits.

Interest Rate Risk

Interest Rate Risk results from the possible impact of changes in interest rates on the profits of the Bank or the value of financial instruments, the Bank is exposed to interest rate risk due to repricing mismatches between its interest rate sensitive assets and liabilities according to the different maturities and repricing terms .The Bank manages these risks through the continuous review of interest rates on its assets and liabilities in the course of its risk management strategy.

The Asset and Liability Management Committee reviews the sensitivity gaps of interest rates during its regular meetings and studies its effect on the bank profitability in the light of any expected changes in market interest rates.

Interest Rate Risk Management

The Bank seeks to obtain long-term financing to fund long-term investments at fixed rates whenever possible. Furthermore, the Bank uses hedging instruments such as interest rate swaps to reduce any negative effects.

The following table demonstrates the sensitivity analysis of interest rates:

2017

Currency	Increase in interest rate	Sensitivity of net interest income (profit or loss)	Change (decrease) in interest rate	Sensitivity of net interest income (profit or loss)
	Basis points	JD	Basis points	JD
USD	100	(748,772)	100	748,772
EURO	100	(788,770)	100	788,770
GBP	100	32,131	100	(32,131)
YEN	100	(22)	100	22
Other Currency	100	235,877	100	(235,877)

2016

Currency	Increase in interest rate	Sensitivity of net interest income (profit or loss)	Change in (decrease) in interest rate	Sensitivity of net interest income (profit or loss)
	Basis points	JD	Basis points	JD
USD	100	(707,188)	100	707,188
EURO	100	(396,882)	100	396,882
GBP	100	(15,789)	100	15,789
YEN	100	(7,583)	100	7,583
Other Currency	100	180,780	100	(180,780)

Interest Rate Re-Pricing Gap

The classification is based on the interest repricing periods or maturities whichever is earlier

December 31, 2017	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	More than 3 years	Non-interest bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at Central Banks	226,358,800	-	-	-	-	-	292,834,470	519,193,270
Balances at banks and financial institutions	134,983,298	-	-	-	-	-	18,435,253	153,418,551
Deposits at banks and financial institutions	-	-	19,983,352	18,000,001	56,511,550	-	-	94,494,903
Financial assets at fair value through profit or loss	-	-	-	-	-	-	22,275,220	22,275,220
Direct credit facilities	666,593,979	240,573,103	307,391,604	35,610,092	114,704,600	173,063,371	-	1,537,936,749
Financial assets at fair value through OCI	-	-	-	-	-	-	32,789,902	32,789,902
Financial assets at amortized cost	13,464,645	32,174,417	26,318,419	63,196,102	95,958,459	94,252,156	-	325,364,198
Financial assets pledged as collateral	-	-	-	520,000	200,000	3,869,000	-	4,589,000
Property and equipment	-	-	-	-	-	-	41,393,821	41,393,821
Intangible assets	-	-	-	-	-	-	9,945,324	9,945,324
Other assets	-	-	-	-	-	-	47,202,803	47,202,803
Deferred tax assets	-	-	-	-	-	-	5,743,006	5,743,006
Total Assets	1,041,400,722	272,747,520	353,693,375	117,326,195	267,374,609	271,184,527	470,619,799	2,794,346,747
Liabilities								
Banks and financial institution deposits	281,286,617	47,054,826	-	15,000,000	73,000,000	-	30,948,235	447,289,678
Customers' deposits	502,345,749	198,608,723	188,582,712	151,109,740	76,534,201	1,237,548	631,446,173	1,749,864,846
Margin accounts	2,455,505	3,854,485	4,995,595	6,767,912	10,318,296	4,804,091	18,071,833	51,267,717
Borrowed funds	35,727	323,382	1,598,395	1,074,744	51,951,902	58,848,074	1,074,224	114,906,448
Sundry provisions	-	-	-	-	-	-	17,168,406	17,168,406
Income tax liabilities	-	-	-	-	-	-	17,321,461	17,321,461
Deferred tax liabilities	-	-	-	-	-	-	770,068	770,068
Other liabilities	-	-	-	-	-	-	48,705,163	48,705,163
Total Liabilities	786,123,598	249,841,416	195,176,702	173,952,396	211,804,399	64,889,713	765,505,563	2,447,293,787
Interest rate sensitivity gap	255,277,124	22,906,104	158,516,673	(56,626,201)	55,570,210	206,294,814	(294,885,764)	347,052,960
December 31, 2016								
Total Assets	962,996,026	287,004,408	317,767,714	122,950,723	222,083,264	170,994,140	407,386,958	2,491,183,233
Total Liabilities	742,617,283	256,959,337	107,926,389	70,098,680	137,113,937	61,177,851	777,979,744	2,153,873,221
Interest rate sensitivity gap	220,378,743	30,045,071	209,841,325	52,852,043	84,969,327	109,816,289	(370,592,786)	337,310,012

Currency Risk:

Foreign currency risk is the risk of change in value of financial instruments due to the change in the foreign currency prices. The Bank's functional currency is the Jordanian Dinar. The Board of Directors identifies the set of currencies in which it is acceptable to take positions in and the limits of these positions for each currency annually. Foreign currencies positions are monitored on a daily basis to make sure that the Bank will not exceed those acceptable levels. Strategic policies are followed to maintain the position in the acceptable level.

The table below indicated the currencies to which the Bank had significant exposure. Analysis calculates the effect of a reasonably possible movement of the currency rate against the JD, with all other variables held constant on the income statement and equity:

	2017			2016		
	Increase in Exchange Rate	Effect on Profit or Loss	Sensitivity on Equity	Increase in Exchange Rate	Effect on Profit or Loss	Sensitivity on Equity
	%	JD	JD	%	JD	JD
EURO	+1	(1, 687)	-	1+	(2,154)	-
GBP	+1	(1,804)	-	1+	(1,263)	-
YEN	+1	(3)	-	1+	-	-
Other Currency	+1	151,473	-	1+	208,252	-

- The effect on negative change in interest price is equal to the change shown above with changing the sign.

Concentration in foreign currency risk:

2017	US Dollar	Sterling	Japanese Yen	Euro	Other	Total
Assets	JD	JD	JD	JD	JD	JD
Cash and balances at Central Banks	45,528,892	560,459	-	94,008,494	47,083,598	187,181,443
Balances at banks and financial institutions	90,685,418	8,352,470	-	2,235,963	20,927,883	122,201,734
Deposits at banks and financial institutions	3,545,000	-	-	17,023,100	-	20,568,100
Financial assets at fair value through profit or loss	410,774	-	-	-	4,246	415,020
Direct credit facilities	172,047,014	-	2,189	328,612	184,540,299	356,918,114
Financial assets at fair value through other comprehensive income	944,931	-	-	40,260	10,328,611	11,313,802
Financial assets at amortized cost	74,281,884	-	-	-	2,804,114	77,085,998
Intangible Assets	514,283	-	-	-	-	514,283
Property and equipment, net	6,855,283	-	-	-	165,701	7,020,984
Other assets	8,543,655	5,094	-	55,896	6,206,148	14,810,793
Total Assets	403,357,134	8,918,023	2,189	113,692,325	272,060,600	798,030,271
Liabilities						
Banks and financial institution deposits	190,650,286	3,832,300	-	89,620,792	28,849,179	312,952,557
Customers' deposits	281,137,693	4,913,136	2,189	21,529,108	190,721,555	498,303,681
Margin accounts	12,983,948	26,507	-	3,121,975	2,925,164	19,057,594
Borrowed funds	19,330,974	-	-	-	-	19,330,974
Income tax liability	(1,642,657)	-	-	-	-	(1,642,657)
Other liabilities	7,613,285	160,225	-	192,379	1,789,281	9,755,170
Total Liabilities	510,073,529	8,932,168	2,189	114,464,254	224,285,179	857,757,319
Net concentration on statement of financial Position	(106,716,395)	(14,145)	-	(771,929)	47,775,421	(59,727,048)
Contingent liabilities off statement of financial position	55,291,349	403,106	390,152	21,914,457	7,881,308	85,880,372
2016						
Total Assets	383,331,917	10,604,837	761,775	63,539,089	204,790,698	663,028,316
Total Liabilities	445,123,180	10,731,175	761,818	64,218,025	192,307,713	713,141,911
Net concentration on statement of financial Position items	(61,791,263)	(126,338)	(43)	(678,936)	12,482,985	(50,113,595)
Contingent liabilities off statement of financial position	36,113,931	61,807	451,403	11,585,036	9,167,739	57,379,916

Equity Price Risk

Equity price risk arise from changes in fair values of investments in equities. The Bank manages this risk through diversification of investments in terms of geographical distribution and industry concentration. The majority of the Bank's investments are quoted on Amman Stock Exchange and the Palestine Securities Exchange.

	2017			2016		
Market Indices	Change in Equity Price	Effect on Profit or Loss	Effect on Equity	Change in Equity Price	Effect on Profit or Loss	Effect on Equity
	%	JD	JD	%	JD	JD
Amman Stock Exchange	5+	45,706	495,044	5+	49,197	454,158
Palestine Securities Exchange	5+	924,157	192,574	5+	725,988	209,633
New York Stock Exchange	5+	10,290	-	5+	-	-
Others Markets	5+	1,760	-	5+	91,641	-

In case of negative change in index the effect will be the same with a change in the sign.

Liquidity Risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances, without incurring high costs or loss, the Bank adopts the following principles for the management of liquidity risk.

Diversification of funding sources

Bank's management seeks to diversify sources of funding and prevent the concentration in the funding sources. In addition to the capital base and customer deposits the bank also borrows from institutions and local and foreign banks which would provide sources of funding at appropriate costs and maturities.

The bank had also established a Liquidity Contingency Plan, which provides the basic framework for the management of liquidity in crisis time and keep it from deteriorating. This includes defining an effective mechanism to manage liquidity during times of crisis, within reasonable costs and preserving the rights of depositors, borrowers, and shareholders.

The Liquidity Contingency Plan is regularly reviewed and updated by the Assets and Liabilities Committee.

Analyzing and monitoring the maturities of assets and liabilities

The Bank studies the liquidity of its assets and liabilities and monitors the major liquidity ratios as well as any changes that occur on them on a daily basis, The Bank, seeks through the Assets and Liabilities Committee to match between the maturities of its assets and liabilities and control the liquidity gaps within the limits defined in the Bank's policies.

Measure and manage market risk according to the standard requirements of Basel II and Basel III

Based on best practices in managing market risk and liquidity risk, the Bank is pursuing a policy to manage these risks as approved by the board of directors and that by relying on several methodologies and techniques and models to measure and assess and monitor these risks on an ongoing basis, In addition to estimating the required capital for market risk and other applications with the instructions of the Central Bank of Jordan and the standard for the application of Basel II. The Bank takes into account the implementation the best practise and techniques which applied by Basel III.

Cash reserves with Central Banks

The Bank maintains statutory cash reserve with the Central Banks amounting to JD 93,057,652.

1. **The table below summarizes the maturity profile of the Bank's financial liabilities based on contractual (undiscounted) repayment obligations as of the date of the financial statements:**

	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 or more years	No Fixed maturity	Total
2017	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities								
Banks and financial institution deposits	312,720,909	47,298,756	-	15,311,037	76,027,431	-	-	451,358,133
Customers' deposits	743,794,170	308,117,891	280,603,105	226,018,471	202,352,463	1,237,548	-	1,762,123,648
Margin accounts	3,788,118	6,003,445	8,001,489	11,723,542	17,323,490	5,078,498	-	51,918,582
Borrowed funds	35,741	357,808	1,618,644	1,083,404	55,903,083	77,604,068	1,074,224	137,676,972
Sundry provisions	335,398	450,965	1,640,622	2,860,658	8,317,839	3,762,924	-	17,368,406
Income tax liabilities	2,100,000	-	10,100,354	3,670,153	1,450,954	-	-	17,321,461
Deferred tax liabilities	-	-	-	-	223,164	-	546,904	770,068
Other liabilities	26,038,225	8,266,204	7,984,083	2,198,622	2,359,270	1,858,757	-	48,705,161
Total Liabilities	1,088,812,561	370,495,069	309,948,297	262,865,887	363,957,694	89,541,795	1,621,128	2,487,242,431
Total Assets (as per its expected maturities	1,035,567,373	272,747,520	353,797,676	117,326,195	267,374,609	271,184,527	475,628,138	2,793,626,038
2016								
Liabilities								
Banks and financial institution deposits	278,629,748	34,845,628	10,069,453	17,658,425	18,985,872	-	-	360,189,126
Customers' deposits	738,013,085	319,160,951	185,065,725	123,715,483	185,485,426	-	-	1,551,440,670
Margin accounts	5,165,773	4,480,352	6,879,380	11,604,553	22,177,742	33,582,205	-	83,890,005
Borrowed funds	1,123,564	13,293,278	971,795	1,321,964	43,742,117	54,769,047	-	115,221,765
Sundry provisions	483,106	631,852	535,593	1,961,615	7,923,149	3,465,258	-	15,000,573
Income tax liabilities	3,650,000	-	8,200,000	7,058,900	1,983,998	-	-	20,892,898
Deferred tax liabilities	-	-	-	-	537,702	-	1,512,080	2,049,782
Other liabilities	18,130,473	7,355,336	4,631,532	2,639,576	1,416,092	1,249,065	462,608	35,884,682
Total Liabilities	1,045,195,749	379,767,397	216,353,478	165,960,516	282,252,098	93,065,575	1,974,688	2,184,569,501
Total Assets (as per its expected maturities	962,996,026	287,004,096	317,767,247	122,950,100	222,083,264	170,994,140	407,386,968	2,491,181,841

2. The table below summarizes the maturities of financial derivatives as of the date of the financial statements:

- Financial assets/liabilities that are settled net(offset) which includes financial derivatives:

	Less than 1 month	1 - 3 months	6 – 12 months	1 - 3 years	3 or more years	Total
	JD	JD	JD	JD	JD	JD
December 31, 2017						
Interest rate swap	-	-	-	-	-	-
	-	-	-	-	-	-
December 31, 2016						
Interest rate swap	-	182,173	-	-	-	182,173
	-	182,173	-	-	-	182,173

3) Contingent Liabilities

	Less than 1 year	1 - 5 years	5 years or more	Total
	JD	JD	JD	JD
2017				
Acceptances and letters of credit	50,810,439	-	-	50,810,439
Letters of guarantee	51,150,670	-	-	51,150,670
Irrevocable commitments to extend credit	116,648,187	-	-	116,648,187
Total	218,609,296	-	-	218,609,296
2016				
Acceptances and letters of credit	33,656,128	-	-	33,656,128
Letters of guarantee	45,738,730	-	-	45,738,730
Irrevocable commitments to extend credit	92,169,757	-	-	92,169,757
Total	171,564,615	-	-	171,564,615

Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events.

The general framework for the operational risk management:
Managing operational risk is the responsibility of all employees in the bank through the proper application of internal policies and procedures that would curb these risks and exposures that arise during daily operations.

As a result of the willingness of the bank management to keep pace with technology in internal policies and procedures continuously the general framework for the operational risk management is implemented by a dedicated staff that aims to facilitate and support all the Bank's departments to carry out their duties in managing these risks.

The Bank implements several operational risk measurement methodologies aimed at identifying and assessing the risks to which the Bank may be exposed, in order to take appropriate control measures that facilitate the decision making process in reducing these risks, the most important of which are self-assessment of risks and control measures, review the actual and potential losses resulting from ongoing operations, monitor and follow up key risk indicators to develop control and avoid future losses.

Compliance Risk

Pursuant to CBJ's instruction and in line with the international directions and updates as well as Basle's regulations, with the aim to ensure compliance of the bank and its internal policies and procedures with all applicable laws, regulations, international banking standards and best practices as well as safe and sound banking practices disseminated by local and international regulatory and supervisory competent authorities, this Compliance and AML/CFT Policy is issued with the approval of the Board of Directors in addition to the internal AML/CFT Manual. In addition, the Compliance and AML/CFT Division was restructured to consist of two departments; Compliance Department and AML/CFT Department to monitor the bank's compliance with applicable laws and regulations and best practices issued by regulatory competent authorities through well devised monitoring programs and internal procedures oriented toward a Risk Based Approach.

The main objectives of the compliance department are as follows:

- Identify, assess and manage compliance risks.
- Prepare and make available applicable laws and regulation files governing the nature and scope of work of all relevant divisions and departments on the bank intranet and update these regularly to stay current with legal and regulatory updates; support and assist executive management to manage compliance risks.
- Advise and assist the bank's management with all laws and regulations in relation to compliance.
- Monitor compliance risks through regulatory databases, which contain all laws and regulations issued by regulatory and competent authorities and which is updated and amended regularly in accordance with the latest regulatory updates that should be adhered to.
- Review and assess all preexisting and new banking products and services as well as internal policies and procedures to ensure that they are in strict compliance with applicable laws and regulations.
- Submit reports directly to the compliance committee, formed by the board of directors, regarding the scope and level of compliance the bank and its international branches and subsidiaries.
- Advise and assist the bank's executive management for compliance risk management.

With regards to Anti-Money Laundering, an independent AML Department was formed and restructured within the Compliance and AML/CFT Division. The division recruited highly qualified and trained staff along with the automated AML/CFT Systems and Software Solutions to perform its work in accordance with policies and procedures approved by the board of directors and in accordance with Anti-Money Laundering Law No.46 of 2007 and its amendments, together with AML/CFT instructions issued by Central Bank of Jordan and international best practice in this regard to lessen and mitigate the risks involved with those transactions; the aim of which is to identify the procedures applicable and appropriate to financial transactions and to apply due diligence measures to identify pre-existing and potential customers and to understand their legal and personal capacity and status and the ultimate beneficial owner and the ongoing monitoring and reviewing of such transactions during the period of the banking relationship.

The main objectives of the AML Department are as follows:

1. Ensure the bank's compliance with all AML/CFT Policies and procedures as approved by the competent authority within the bank.
2. Ensure the bank's compliance with all applicable laws and regulations issued by competent authorities.
3. Prohibit and protect the bank's reputation and image from any allegation of involvement with money laundering and terrorist financing.
4. Prohibit the use of banking products and services in money laundering and terrorist financing transactions.
5. Participate in national and international efforts and initiatives relevant to anti-money laundering and combating terrorism financing.
6. Protect the bank and its employees from being exposed to AML/CFT risks which might lead to material financial losses or regulatory, legal, administrative, civil and criminal sanctions and liability.

40. Segment Information

A. Information on the Bank's Segment

For management purposes the Bank is organised into three major business segments which are measured according to reports used by the general manager and key decision makers at the Bank, through the following major sectors:

- **Retail banking**: Principally handling individual customers' deposits, and providing consumer type loans, overdrafts, credit cards facilities and funds transfer facilities;

- **Corporate banking:** Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;

- **Treasury:** Principally providing money market, trading and treasury services, as well as the management of the Bank's funding operations

Following is the Bank's segment information:

	Retail Banking	Corporate Banking	Treasury	Other	Total 2017	Total 2016
	JD	JD	JD	JD	JD	JD
Total revenues	101,602,015	42,256,930	30,071,709	2,240,430	176,171,084	160,799,803
Impairment loss on credit facilities	5,795,993	(2,003,447)	-	-	3,792,546	3,213,480
(reversed from) provision on repossessed assets	-	-	-	(1,000,000)	(1,000,000)	-
Sundry Provision	(400,617)	-	2,079,000	-	1,678,383	1,039,500
Segmental results	75,369,413	29,308,347	13,582,770	3,240,430	121,500,960	124,915,894
Unallocated expenses					79,605,756	74,992,337
Profit before tax					41,895,204	49,923,557
Income tax					11,927,424	15,189,678
Net profit					29,967,780	34,733,879
Other information						
Segmental Total Assets	866,330,687	671,606,062	1,157,868,050	98,541,948	2,794,346,747	2,491,183,233
Segmental Total Liabilities	920,966,118	714,985,767	728,146,872	83,195,030	2,447,293,787	2,153,873,221
Capital expenditure					8,145,498	19,722,173
Depreciation and amortisation					9,176,099	8,009,598

2. Geographical Information

The following table shows the distribution of the Bank's profit assets and capital expenditure by geographical segment, the Bank operates in Jordan and Palestine.

Below is the distribution of the revenues, assets and capital expenditures as per the geographical information:

	Inside Jordan		Outside Jordan		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Total revenue	137,298,756	132,519,713	38,872,328	28,280,090	176,171,084	160,799,803
Total assets	2,120,123,419	1,951,854,991	674,223,328	539,328,242	2,794,346,747	2,491,183,233
Capital expenditure	4,194,213	8,445,796	3,951,285	11,276,377	8,145,498	19,722,173

41. Capital Management

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision ("BIS rules/ratios") and adopted by the Central Bank of Jordan.

According to Central Bank of Jordan regulation (52/2010), the minimum paid in capital of Jordanian banks should be JD 100 million before the end of 2011. In addition, the regulation requires a minimum leverage ratio of 4%.

As per the Central Bank of Jordan the adequate capital adequacy ratio must not be less than 14.125%.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from previous years.

Description of what is considered capital

As per Central Bank of Jordan regulations capital consists of Tier 1 capital, which comprises share capital, share premium, reserves, declared reserves, retained earnings, Non-Controlling interest allowed to be recognized, other comprehensive income items less proposed dividends, goodwill, cost of treasury stocks, deficit in requested provisions, deferred tax assets related to non-performing loans and any other restricted amounts. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt that may be transferred to shares, preference shares not accrued interest and non-controlling allowed to be recognized. The third component of capital is Tier 3 (which is aid to Tier 2 capital) which is used against market risk. Investments in the capital of banks and other financial institutions are deducted from regulatory capital if not consolidated in addition to investments in the capital of insurance companies. Also, excess over 10% of the Bank's capital if invested in an individual company investee as per the Central Bank of Jordan regulations.

On November 31,2016 The Central Bank of Jordan issued instructions regarding capital adequacy in accordance with basel III and canceled the instructions of regulatory capital adequacy according to basel II.

The capital adequacy percentage is calculated in accordance with the Central Bank of Jordan according to basel committee decision. Below is the capital adequacy as per Basel III:

	2017	2016
	JD	JD
Ordinary Share Rights		
Paid up capital	180,000,000	180,000,000
Retained earnings after subtracting the expected accumulated distributions	49,679,760	48,584,530
Change in fair value reserve	(9,005,364)	(10,347,484)
Statutory reserve	69,955,203	65,836,075
Other reserves approved by the Central Bank	7,756,997	6,816,916
Minority rights allowed to be recognized	1,580,191	697,391
Total ordinary share capital	**299,966,787**	**291,587,428**
Regulatory Adjustments (Capital deductible)		
Intangible assets	9,945,324	10,046,891
Deferred tax assets that should be deducted	4,964,213	5,461,073
Net ordinary shareholders' equity	**285,057,250**	**276,079,464**
Additional capital		
Minority rights allowed to be recognized		
Net primary capital (Tier I)		
Tier II Capital		
General banking risk reserve	16,597,081	13,982,002
Minority rights allowed to be recognized	316,038	139,478
Tier II Capital	**16,913,119**	**14,121,480**
Adjustment (deducted from capital)		
Investment in subsidiaries capital unconsolidated with banks accounts		-
Net Tier II	**16,877,873**	**14,121,480**
Regulatory capital	**301,970,369**	**290,200,944**
Total risk weighted assets	**2,007,515,373**	**1,761,586,241**
Capital adequacy (%)	15.04%	16,47%
Capital adequacy (primary capital) (%)	14.20%	15,67%
Subordinated capital (%)	0.84%	0.80%

42. Maturity Analysis of Assets and Liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

2017	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Banks	519,193,270	-	519,193,270
Balances at banks and financial institutions	153,418,551	-	153,418,551
Deposits at banks and financial institutions	37,983,353	56,511,550	94,494,903
Financial assets at fair value through profit or loss	22,275,220	-	22,275,220
Financial assets at fair value through other comprehensive income	-	32,789,902	32,789,902
Direct credit facilities	431,554,067	1,106,382,682	1,537,936,749
Financial assets at amortized cost	135,673,583	189,690,615	325,364,198
Financial assets pledged as collateral	520,000	4,069,000	4,589,000
Property and equipment	3,701,370	37,692,451	41,393,821
Intangible assets	6,419,169	3,526,155	9,945,324
Deferred tax assets	875,010	4,867,996	5,743,006
Other assets	25,371,801	21,831,002	47,202,803
Total Assets	1,336,985,394	1,457,361,353	2,794,346,747
Liabilities			
Banks and financial institution deposits	374,289,678	73,000,000	447,289,678
Customers' deposits	1,532,270,631	217,594,215	1,749,864,846
Margin accounts	29,381,547	21,886,170	51,267,717
Borrowed funds	3,211,933	111,694,515	114,906,448
Sundry provisions	5,287,643	11,880,763	17,168,406
Other liabilities	44,487,136	4,218,027	48,705,163
Deferred tax liabilities	546,904	223,164	770,068
Income tax liabilities	15,870,507	1,450,954	17,321,461
Total Liabilities	2,005,345,979	441,947,808	2,447,293,787
Net Assets	(668,360,585)	1,015,413,545	347,052,960

2016	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at Central Banks	225,410,667	-	225,410,667
Balances at banks and financial institutions	333,854,252	-	333,854,252
Deposits at banks and financial institutions	50,880,088	22,662,980	73,543,068
Financial assets at fair value through profit or loss	25,822,584	-	25,822,584
Financial assets at fair value through other comprehensive income	-	31,502,293	31,502,293
Direct credit facilities	374,052,291	982,226,857	1,356,279,148
Financial assets at amortized cost	147,106,579	189,116,716	336,223,295
Financial assets pledged as collateral	-	13,476,000	13,476,000
Property and equipment	3,654,090	38,679,124	42,333,214
Intangible assets	6,199,434	3,849,599	10,049,033
Deferred tax assets	700,000	5,570,359	6,270,359
Other assets	15,957,892	20,461,428	36,419,320
Total Assets	1,183,637,877	1,307,545,356	2,491,183,233
Liabilities			
Banks and financial institution deposits	340,484,414	18,472,680	358,957,094
Customers' deposits	1,347,977,807	199,468,441	1,547,446,248
Margin accounts	27,916,900	53,559,947	81,476,847
Borrowed funds	16,663,636	75,501,461	92,165,097
Sundry provisions	3,612,166	11,388,407	15,000,573
Income tax liabilities	18,908,900	1,983,998	20,892,898
Deferred tax liabilities	1,512,080	537,702	2,049,782
Other liabilities	33,219,525	2,665,157	35,884,682
Total Liabilities	1,790,295,428	363,577,793	2,153,873,221
Net Assets	(606,657,551)	943,967,563	337,310,012

43. Fiduciary Accounts

Fiduciary accounts amounted to JD 454,068 as of 31 December 2017 (JD 1,360,696 as of December 31, 2016). Such assets or liabilities are not included in the Bank's statement of financial position.

44. Contingent Liabilities and Commitments

a. The total outstanding commitments and contingent liabilities are as follows:

	2017	2016
	JD	JD
Letters of credit:		
Received	49,861,134	32,092,230
Acceptances	949,305	1,563,898
Letters of guarantee:		
Payments	18,206,891	16,285,995
Performance	16,595,948	18,015,063
Other	16,347,831	11,437,672
Irrevocable commitments to extend credit	116,648,187	92,169,757
	218,609,296	171,564,615

b) The contractual commitments of the Bank are as follows:

	2017	2016
	JD	JD
Contracts to purchase property and equipment	1,595,607	3,599,638

* Annual rent of the Bank's main building and the branches amounted to JD 3,878,101 as of December 31, 2017 (JD 3,615,314 as of December 31, 2016).

45. Lawsuits

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 44,321,010 as of December 31, 2017 (JD 43,857,724 as of December 31, 2016). In the opinion of the Bank's management and law consultant, provisions for these lawsuits are sufficient. Provision for possible legal obligations amounted to JD 4,287,503 as of December 31, 2017 (JD 4,421,931 as of December 31, 2016).

In the opinion of the Bank's management and legal counsel, the Bank maintains adequate provisions against the lawsuits.

46. Application of new and revised International Financial Reporting Standards (IFRS)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2017, have been adopted in these consolidated financial statements of the Bank.

Amendments to IAS 12 *Income Taxes* Recognition of Deferred Tax Assets for Unrealised Losses

The Bank has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

The application of these amendments has had no impact on the Bank's consolidated financial statements.

Amendments to IAS 7 *Disclosure Initiative*

The Bank has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

The Bank has applied the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014-2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group (see note 46- b).

IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Bank's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

b. New and revised IFRS in issue but not yet effective

The Bank has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28

The improvements include the amendments on IFRS 1 and IAS 28 and they are effective for annual periods beginning on or after January 1, 2018.

Annual Improvements to IFRS Standards 2015–2017

The improvements include the amendments on IFRS 3, IFRS 11, IAS 12 and IAS 23 and they are effective for annual periods beginning on or after January 1, 2019.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretation is effective for annual periods beginning on or after January 1, 2019.

IFRIC 23 *Uncertainty over Income Tax Treatments*
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The interpretation is effective for annual periods beginning on or after January 1, 2019.

Amendments to IFRS 2 *Share Based Payment*
The amendments are related to classification and measurement of share based payment transactions and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 4 Insurance Contracts
The amendments relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard and they are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 40 *Investment Property*
Paragraph 57 has been amended to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IAS 28 Investment in Associates and Joint Ventures
The amendments are related to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

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

The Bank will apply IFRS 16 in the effective date which is the annual periods beginning on or after January 1, 2019 The Bank is in the process of evaluating the impact of IFRS 16 on the Bank's consolidated financial statements.

Amendments to IFRS 9 *Financial Instruments*
The amendments are related to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The Amendments are effective for annual periods beginning on or after January 1, 2019.

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

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

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised

- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The Bank adopted IFRS 9 (phase 1) that was issued in 2009 related to classification and measurement financial assets, the Bank will adopt the finalised version of IFRS 9 from the effective date of January 1, 2018; apply it retrospectively and recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings as of January 1, 2018.

The Bank is continuing to analyze the impact of the changes, total provision expected to be recorded as on January 1, 2018 amounted to JD 4.2 Million noting that the total amount of provision to be booked against IFRS 9 amounted to JD 54,5 Million. This assessment is based on currently available information and is subject to changes that may arise when the Bank presents its first financial statements as on December31, 2018 that includes the effects of it application from the effective date.

IFRS 15 *Revenue from Contracts with Customers*
In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

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

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

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

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date on January 1, 2018, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Bank intends to adopt the standard using the cumulative effect approach, which means that the Bank will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Bank is continuing to analyze the impact of the changes and its impact will be disclosed in the first consolidated financial statements as of December 31, 2018 that includes the effects of it application from the effective date.

Amendments to IFRS 15 *Revenue from Contracts* with Customers
The amendments are to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The Amendments are effective for annual periods beginning on or after January 1, 2018.

Amendments to IFRS 7 *Financial Instruments: Disclosures*
The amendments are related to disclosures about the initial application of IFRS 9. The Amendments are effective when IFRS 9 is first applied

IFRS 7 Financial Instruments: Disclosures
The amendments are related to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. The Amendments are effective when IFRS 9 is first applied

IFRS 17 *Insurance Contracts*
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of January 1, 2021.

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

The Amendments effective date deferred indefinitely and the adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraphs, may have no material impact on the financial statements of the Bank in the period of initial application.

Management anticipates that IFRS 15 and IFRS 9 will be adopted in the Bank's financial statements for the annual period beginning January 1, 2018 and that IFRS 16 will be adopted in the Bank's financial statements for the annual period beginning January 1, 2019.

47. Fair Value Hierarchy

A. The fair value of financial assets and financial liabilities of the Company specified at fair value on an ongoing basis:

Some financial assets and liabilities of the Company are measured at fair value at the end of each fiscal period. The following table shows information about how the fair value of these financial assets and liabilities is determined (valuation methods and inputs used).

Financial Assets/Financial Liabilities	Fair Value as of December 31, 2017	Fair Value as of December 31, 2016	The Level of Fair Value	Valuation Method and Inputs Used	Important Intangible Inputs	Relation between Fair Value and Significant Intangible Inputs
	JD	JD				
Financial Assets at Fair Value in Income Statement						
Equity Securities	22,275,220	25,822,584	Level I	Prices issued in market values	N/A	N/A
Total	22,275,220	25,822,584				
Financial Assets at Fair Value in Other Comprehensive Income						
Quoted shares	30,356,340	29,596,161	Level I	Prices issued in market values	N/A	N/A
Unquoted shares	2,433,562	1,906,132	Level II	Comparing the market value with a similar financial instrument	N/A	N/A
Total	32,789,902	31,502,293				
Financial Assets at Fair Value	55,065,122	57,324,877				

There were no transfers between the first level and second level during 2017

B -The fair value of financial assets and financial liabilities of the Company (non-specific fair value on an ongoing basis):

Except as set out in the table below, we believe that the carrying value of financial assets and financial liabilities in the financial statements of the Company approximates their fair value, as the Company's management believes that the carrying value of the items listed below approximate their fair value, due to either their short-term maturity or repricing of interest rates during the year.

	December 31, 2017		December 31, 2016		Fair value
Financial Assets with an Unspecified Fair Value	Book Value	Fair Value	Book Value	Fair Value	Level
	JD	JD	JD	JD	
Balances at Central Banks	440,508,243	440,508,243	161,162,928	161,162,928	Level II
Balances at Banks and other Financial Institutes	153,418,551	153,418,551	333,854,252	333,854,252	Level II
Deposits at Banks and other Financial Institutes	94,494,903	94,494,903	73,543,068	73,543,068	Level II
Loans	1,537,936,749	1,537,936,749	1,356,279,148	1,356,279,148	Level II
Financial assets at amortized costs	325,364,198	325,364,198	336,223,295	336,223,295	Level I and Level II
Mortgaged Financial Assets	4,589,000	4,589,000	13,476,000	13,476,000	Level II
Total Financial Assets with an Unspecified Fair Value	2,556,311,644	2,556,311,644	2,274,538,691	2,274,538,691	

	December 31, 2017		December 31, 2016		Fair value
Financial Liabilities with an Unspecified Fair Value	Book Value	Fair Value	Book Value	Fair Value	Level
	JD	JD	JD	JD	
Balances at Central Banks	447,289,678	447,289,678	358,957,094	358,957,094	Level II
Customer Deposits	1,749,864,846	1,749,864,846	1,547,446,248	1,547,446,248	Level II
Cash collaterals	51,267,717	51,267,717	81,476,847	81,476,847	Level II
Borrowed funds	114,906,448	114,906,448	92,165,097	92,165,097	Level II
Total Financial Assets with an Unspecified Fair Value	2,363,328,689	2,363,328,689	2,080,045,286	2,080,045,286	

For the above-mentioned items, the second and third level financial liabilities and financial assets have been determined at fair value according to the agreed-upon pricing model, which reflects the credit risk of the parties dealt with.