SGBJ

نموذج رقم (1-3) Form No. (1-3)	
To: Jordan Securities Commission Amman Stock Exchange Date:-30/03/2017 Subject: Annual Report for the fiscal year ended 31/12/2016	السادة هيئة الاوراق المالية السادة بورصة عمان التاريخ:-30/03/2017 الموضوع : التقرير السنوي للسنة المنتهية في 2016/12/31
Attached the Annual Report (Arabic version)of (Societe General Bank - Jordan) for the fiscal year ended 31/12/2016, with CD including the Annual Report for year 2016, noting that the financial statements that reported in the Annual Report are subject to the approval of Central Bank of Jordan.	مرفق طيه نسخة من التقرير السنوي (النسخة العربية) لشركة (بنك سوستيه جنرال . الاردن)عن السنة المالية المنتهية في 2016/12/31 ، كما نرفق لكم قرص ممغنط يتضمن التقرير السنوي لعام 2016 ، علما بأن البيانات المالية الواردة في التقرير السنوي خاضعة لموافقة البنك المركزي الاردني.
Kindly accept our high appreciation and respect Company's Name: Societe Generale Bank - Jordan General Manager's : Nadim Abaouat	وتفضلوا بقبول فائق الاحترام،،، اسم شركة : بنك سوستيه جنرال الاردن توقيع المدير العام :نديم قبوات

بورصة عمان
الدائرة الإدارية والمالية
الديوان
٣٠ آذار ٢٠١٧
الرقم المتسلسل: ١٧٧٤
رقم الملف: ١١٠٢
الجهة المختصة: ...

SOCIETE GENERALE
DE BANQUE-JORDANIE
بنك سوسيته جنرال
الـــــأردن

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الادارة العامة - العبدلي ، هاتف ٥٦٠٠٣٠٠ (٦ ٩٦٢) ، فاكس ٥٦٩٣٤١٠ (٦ ٩٦٢) ، ص.ب ٥٦٠ - عمان ١١١١٨ الأردن ، سويفت SGMEJOAM ، e-mail: sgbjwebmaster@socgen.com

SOCIETE GENERALE DE BANQUE - JORDANIE

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2016

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Societe Generale De Banque – Jordanie
Amman- Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Societe Generale De Banque - Jordanie (a public shareholding company) and its subsidiary ("The Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of loans and advances to customers

Impairment of loans and advances 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 impairment event and the measurement of impairment loss.

Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral and determining the default date, and as a result, impairment is calculated from that date. As at 31 December 2016, the gross loans and advances amounted to JD 588,554,123 against which accumulated loan loss provision of JD 9,113,050 was recorded.

How the key audit matter was addressed in the audit

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

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

Disclosures of impairment of loans and advances are detailed in note 7 and note 2 to the consolidated financial statements.

Suspension of interest on non- performing loans

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

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

How the key audit matter was addressed in the audit

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

Disclosures of interest in suspense are detailed in note 7 to the consolidated financial statements.

Other information included in The Group's 2016 Annual Report

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

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

In connection with our audit of the 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 financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exist, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Amman – Jordan
23 February 2017

SOCIETE GENERALE DE BANQUE - JORDANIE
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	Notes	2016	2015
ASSETS		JD	JD
Cash and balances at central bank	4	142,927,198	336,311,558
Balances at banks and financial institutions	5	96,822,688	36,230,356
Deposits at banks and financial institutions	6	15,215,196	17,459,133
Direct credit facilities - net	7	568,214,647	431,594,034
Financial assets at fair value through other comprehensive income	8	478,779	250,335
Financial assets at amortized cost	9	314,489,658	208,286,399
Pledged financial assets	9	126,403,000	111,846,000
Financial assets at fair value through profit or loss	10	-	31,852,062
Property and equipment - net	11	22,346,823	22,944,481
Intangible assets - net	12	1,355,256	935,559
Deferred tax assets	19	1,358,687	1,328,995
Other assets	13	13,563,683	11,102,538
TOTAL ASSETS		1,303,175,615	1,210,141,450
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits	14	44,392,864	29,055,047
Customers' deposits	15	1,001,027,211	916,697,231
Margin accounts	16	88,168,880	99,598,369
Loans and borrowings	17	17,307,123	20,855,509
Other provisions	18	73,064	218,786
Income tax provision	19	5,235,192	4,299,315
Deferred tax liabilities	19	264,311	167,557
Other liabilities	20	13,266,157	11,662,608
TOTAL LIABILITIES		1,169,734,802	1,082,554,422
EQUITY-			
EQUITY ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS			
Issued and paid in capital	21	100,000,000	100,000,000
Statutory reserve	22	10,411,064	8,746,028
Voluntary reserve	22	100,000	100,000
General banking risk reserve	22	4,167,794	3,385,332
Fair value reserve - net	23	(53,000)	1,250
Retained earnings	24	18,814,955	15,354,418
TOTAL EQUITY		133,440,813	127,587,028
TOTAL LIABILITIES AND EQUITY		1,303,175,615	1,210,141,450

The accompanying notes from 1 to 43 represent an integral part of these consolidated financial statements and should be read with them.

Societe Generale De Banque - Jordanie
Consolidated Statement of Profit or Loss
For the Year Ended 31 December 2016

	Notes	2016	2015
		JD	JD
Interest income	25	55,932,433	47,790,340
Interest expense	26	(35,240,224)	(29,748,472)
Net interest income		20,692,209	18,041,868
Net commission income	27	2,665,809	1,943,408
Net interest and commission income		23,358,018	19,985,276
Gain from foreign currencies	28	928,835	907,686
Gain on sale of financial assets at amortized cost	9	3,129,853	3,311,961
Loss on sale of financial assets at fair value through profit or loss	10	(64,418)	-
Gain on revaluation of financial assets at fair value through profit or loss	10	-	2,197,696
Dividends income from financial assets at fair value through other comprehensive income	8	18,750	17,000
Other income	29	1,915,897	1,313,269
Gross income		29,286,935	27,732,888
Employees expenses	30	(5,637,153)	(5,015,367)
Depreciation and amortization	11, 12	(1,222,193)	(1,152,020)
Other expenses	31	(4,652,868)	(4,506,157)
Impairment loss on direct credit facilities	7	(648,719)	(1,329,623)
Other provisions	18	(12,662)	(38,711)
Provision against seized assets	13	(444,115)	(291,336)
Impairment loss on financial assets at amortized cost		(109,500)	-
Total expenses		(12,727,210)	(12,333,214)
Profit before income tax		16,559,725	15,399,674
Income tax expense	19	(5,651,690)	(5,390,448)
Profit for the year		10,908,035	10,009,226
		JD/Fils	JD/Fils
Basic and diluted earnings per share for the year	32	0/109	0/100

The accompanying notes from 1 to 43 represent an integral part of these consolidated financial statements and should be read with them.

SOCIETE GENERALE DE BANQUE - JORDANIE
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	JD	JD
Profit for the year	10,908,035	10,009,226
Add: Other comprehensive income items which will not be reclassified to profit and loss at subsequent periods		
Change in fair value reserve, net of tax	(54,250)	60,000
Total comprehensive income for the year	10,853,785	10,069,226

The accompanying notes from 1 to 43 represent an integral part of these consolidated financial statements and should be read with them.

SOCIETE GENERALE DE BANQUE - JORDANIE
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Issued and paid in capital	Reserves				Retained earnings	Total Equity
		Statutory	Voluntary	General banking risk	Fair value		
2016 -	JD	JD	JD	JD	JD	JD	JD
Balance as at 1 January 2016	100,000,000	8,746,028	100,000	3,385,332	1,250	15,354,418	127,587,028
Profit of the year	-	-	-	-	-	10,908,035	10,908,035
Change in fair value reserve, net of tax	-	-	-	-	(54,250)	-	(54,250)
Cash dividends*	-	-	-	-	-	(5,000,000)	(5,000,000)
Total comprehensive income	-	-	-	-	(54,250)	10,908,035	10,853,785
Transfers to reserves	-	1,665,036	-	782,462	-	(2,447,498)	-
Balance as at 31 December 2016	100,000,000	10,411,064	100,000	4,167,794	(53,000)	18,814,955	133,440,813
2015 -							
Balance as at 1 January 2015	100,000,000	7,197,184	100,000	2,662,701	(58,750)	11,616,667	121,517,802
Profit of the year	-	-	-	-	-	10,009,226	10,009,226
Change in fair value reserve, net of tax	-	-	-	-	60,000	-	60,000
Cash dividends	-	-	-	-	-	(4,000,000)	(4,000,000)
Total comprehensive income	-	-	-	-	60,000	10,009,226	10,069,226
Transfers to reserves	-	1,548,844	-	722,631	-	(2,271,475)	-
Balance as at 31 December 2015	100,000,000	8,746,028	100,000	3,385,332	1,250	15,354,418	127,587,028

Retained earnings include JD 1,358,687 as at 31 December 2016 (2015: JD 1,328,995) which represents deferred tax assets. According to the Central Bank of Jordan's regulations, this balance is restricted.

The general banking risk reserve includes JD 4,167,794 as at 31 December 2016 which is restricted from use without prior approval of the Central Bank of Jordan.

Retained earnings include an amount of JD 48,831 which represents the effect of the early adoption of IFRS 9 which cannot be used except for the amounts realized through the actual selling including capitalization and distribution of the respective assets.

* In its ordinary meeting held on 6 April 2016, the general assembly approved the distribution of cash dividends for the year 2015 with a percentage of 5% from paid in capital.

The accompanying notes from 1 to 43 represent an integral part of these consolidated financial statements and should be read with them.

Societe Generale De Banque - Jordanie
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2016

	Notes	2016 JD	2015 JD
Operating Activities			
Profit before income tax		16,559,725	15,399,674
Non-cash adjustments for-			
Depreciation and amortization		1,222,193	1,152,020
Impairment losses on direct credit facilities		648,719	1,329,623
Impairment loss on financial assets at amortized cost		109,500	-
Gain on revaluation of financial assets at fair value through profit or loss		-	(2,197,696)
Loss from sale of financial assets at fair value through profit or loss		64,418	-
Gain from sale of financial assets at amortized cost		(3,129,853)	(3,311,961)
Losses from sale of property and equipment		157	2,074
Other provisions		12,662	38,711
Effect of exchange rate differences on cash and cash equivalent		(672,931)	(665,096)
Profit before changes in assets and liabilities		14,814,590	11,747,349
Changes in assets and liabilities -			
(increase) in restricted balances		(3,545,000)	-
Decrease (increase) in deposits at banks and financial institutions		2,243,937	(1,349,260)
(Increase) in direct credit facilities		(137,269,332)	(112,879,789)
(Increase) in other assets		(2,461,145)	(758,174)
Increase in customers' deposits		84,329,980	309,133,490
(Decrease) Increase in margin accounts		(11,429,489)	17,019,541
Increase (decrease) in other liabilities		1,603,549	(411,071)
Increase in deposit at banks and financial institutions (with maturities over three months)		-	5,000,000
Decrease in other provisions		(158,384)	(2,200)
Net cash flows (used in) from operating activities before income tax paid		(51,871,294)	227,499,886
Income tax paid	19	(4,648,751)	(4,459,322)
Net cash flows (used in) from operating activities		(56,520,045)	223,040,564
Investing Activities			
Purchase of financial assets at amortized cost		(220,738,010)	(185,912,000)
Redemption of financial assets at amortized cost		64,834,055	43,739,805
Purchase of financial assets at fair value through other comprehensive income		(282,694)	-
Proceeds from sale of financial assets at fair value through profit or loss		31,787,644	-
Proceeds from sale of financial assets at amortized cost		38,164,049	36,322,007
Proceeds from sale of property and equipment		7,172	18,500
Purchase of property and equipment		(296,746)	(411,513)
Advances on purchase of property and equipment		(722,803)	(1,395,955)
Purchase of intangible assets		(32,012)	(89,781)
Net cash flows used in investing activities		(87,279,345)	(107,728,937)
Financing Activities			
Proceeds from loans and borrowings		4,686,109	16,414,435
Repayment of loans and borrowings		(8,234,495)	(14,521,337)
Cash dividends		(5,000,000)	(4,000,000)
Net cash flows used in financing activities		(8,548,386)	(2,106,902)
Net (decrease) increase in cash and cash equivalents		(152,347,776)	113,204,725
Effect of exchange rate differences on cash and cash equivalents		672,931	665,096
Cash and cash equivalents at 1 January		348,486,867	234,617,046
Cash and cash equivalents at 31 December	33	196,812,022	348,486,867

The accompanying notes from 1 to 43 represent an integral part of these consolidated financial statements and should be read with them.

(1) GENERAL INFORMATION

The Bank was established as a financial real estate investment company on 22 April 1965 in accordance with Jordanian Companies Law No (55), and it was transferred to investment bank during 1993 in accordance with companies law No. (1) for the year of 1989.

The Bank provides its banking services through its 17 branches located in the Kingdom of Jordan. The bank has no branches outside the Kingdom.

As at 31 December 2016, the paid in capital amounted to 100,000,000 each having a par value of JD 1 (2015: JD 100,000,000).

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 no. (01/2017) held on 23 February 2017, and they are subject to the approval of central Bank and General Assembly of shareholders.

(2-1) Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Bank and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations (IFRICs) as issued by the Internal and Accounting Standards Board (IASB), and in conformity with the applicable laws and regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income which are presented at fair value as of the date of the consolidated financial statements.

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

(2-2) Changes in accounting policies:

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

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

IAS 1 *Presentation of Financial Statements – Amendments to IAS 1*
The amendments to IAS 1 include narrow-focus improvements related to:

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

Investment entities (Amendments to IFRS 10 and IAS 28)
The amendments address the issues arising in practice in the application of the investment entities consolidation exception and clarify that:

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

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

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

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

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

(2-3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary ("The Group") control is achieved when the Group is exposed, or has rights, to variable returns from it's involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Inter-company balances and transactions are eliminated between the bank and the subsidiary:

Societe Generale Brokerage Company ("The Subsidiary"), which is fully owned by the Bank with paid in capital of JD 750,000 as of 31 December 2016, was established on 6 June 2006. The Company's main objective is providing brokerage services.

The financial statements of the subsidiary are prepared for the same reporting year as that of the Bank, using consistent accounting policies. If the subsidiary has a different accounting policy than the bank, necessary adjustments will be reflected to match the bank's accounting policies.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The results of operations of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Bank gains control until the date the Group ceases to control the subsidiary.

Non- controlling interest represents the portion of equity in the subsidiaries owned by others.

If standalone financial statements are prepared for the Bank, the investment in subsidiary will be shown at cost in the statement of financial position.

(2-4) Significant accounting policies

Segmental reporting

Business segments represent distinguishable components of the Bank that are engaged in providing products or services that are subject to risks and rewards that are different from those of other segments and reported based on the reports that are used by the Bank's chief executive decision maker.

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

Direct credit facilities

Direct credit facilities are financial assets with fixed installments initially granted or acquired by the Bank and has no market value in active markets.

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

Interest and commission on non-performing facilities provided for customers are suspended according to the regulations of the Central Bank of Jordan.

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

Financial assets at fair value through other comprehensive income

Represent equity investments being held for sale in the long term.

These financial instruments are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the consolidated statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value through other comprehensive income reserve directly to retained earnings and not through the consolidated income statement.

These financial assets are not subject to impairment testing.

Dividend income is recognized in the consolidated statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets which do not meet the business model for financial assets at amortized cost, and are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.

Financial instruments at fair value through profit or loss are initially measured at fair value, unless if the Bank classified the financial investments as not for trading at fair value through other comprehensive income at the purchase date.

Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the statement of profit or loss. When these assets or portion of these assets are sold, the gain or loss arising are recorded in the consolidated statement of profit or loss .

Dividend and interest income are recorded in the consolidated statement of profit or loss.

Financial assets at amortized cost

Financial assets are measured at amortized cost only if these assets are held within a business model whose objective is to hold the asset to collect their contractual cash flows which comprise payment of original principal and interest on the outstanding principal amount.

These financial assets are initially measured at cost plus transaction costs. Subsequently, premiums or discounts are amortized using the effective interest rate method, less allowance for impairment and included in finance income/ expenses in the consolidated statement of profit or loss. The losses arising from impairment are recognized in the consolidated statement of profit or loss.

The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.

Reclassification from / to this caption is not allowed as per IFRS (in case of sale of any of these assets before maturity, results will be separately disclosed in the statement of profit or loss as specifically required by IFRS).

Fair value

The Bank values the financial instruments, such as derivatives and non-financial assets, at fair value at the date of the financial statements. The value of the financial instruments are also classified through the amortized cost, as is shown in Note 34.

The fair value represents the price that will be obtained when selling the assets or the amount that will be paid to transfer the commitment of the regulated transaction between the participants in the market.

In the absence of the primary market, the most suitable market will be used to trade the assets and liabilities.

The bank needs the opportunities to reach the primary or most suitable markets.

The bank values the fair value for the properties or the commitment to use the market participant's assumptions for valuing the properties or,

A fair value measurement of a non–financial assets takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The Bank uses the following valuation techniques in setting the fair value of the financial instruments:

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 –Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The appraisal committee, along with the Group's external appraisers, compare the changes and the related external information on the fair value on the assets and liabilities to evaluate the reasonableness of the changes.

For the purpose of the fair value note, the Group classifies the assets and liabilities according to its nature and the risks of the assets and liabilities, and the value of the fair value.

The valuation of the non–current assets and liabilities, and those that do not incur interest, in accordance with the discounted cash flow, and the set interest rate. This discount/ allowance is amortized from the paid and collected interest revenue in the consolidated income statement.

<u>Impairment of financial assets</u>

The Bank assesses at each consolidated financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. In such evidence exists, the recoverable amount is estimated in order to determine the amount of impairment loss.

Impairment is determined as follows:

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

Impairment is recognised in the consolidated statement of profit or loss. If, in a subsequent period, the amount of the impairment loss decreases, the carrying value of the asset is increased to its recoverable amount. The amount of the reversal is recognised in the consolidated statement of profit or loss except for equity instruments for which the reversal is recognized in the consolidated statement of comprehensive income.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment in value.

Depreciation is calculated using the straight-line method, (except for lands), to write down the cost of property and equipment to their residual values over their estimated useful lives, when the assets become ready to use. Depreciation rates used are as follows:

	%
Equipment and furniture	5 - 15
Vehicles	15
Computers	20
Buildings	2

When the expected recoverable value is less than the carrying value, the assets are written down to their recoverable amount, and the impairment is recorded in the consolidated statement of profit or loss.

Useful lives of property and equipment are reviewed at the end of each year. If the expectations of useful lives are different from the previous estimates, the change is accounted for as changes in estimate in future periods.

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

Provisions

Provisions are recognized when the Bank has a present obligation arising from a past event and the costs to settle the obligation are both probable and able to be reliably measured.

Income tax

Tax expense comprises current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the consolidated financial statement. Accounting profits may include non-taxable profits or tax non-deductible expenses in the current year or accumulated losses that are acceptable as tax deductions or items that are non taxable or not deductible for tax purpose.

Tax is calculated based on tax rates in laws and regulations that are applicable in the Hashemite Kingdom of Jordan.

Deferred tax 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 income. Moreover, deferred taxed (if any) are calculated according to the statement of financial position liability method and based on the tax rates expected to be applied at the tax settlement date or the realization of the deferred tax assets or liabilities.

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

Fiduciary assets

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

Offsetting

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

Revenue and expense recognition

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

Expenses are recognized on an accrual basis.

Commission income is recognized upon the rendering of services. Dividend income is recognized when the right to receive payment is established (when they are approved by the general assembly of the shareholders).

Financial assets recognition

Purchases and sales of financial assets are recognized on the trade date (the date on which the Bank commits to sale or purchase of financial assets).

Repurchase and resale agreements

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements due to the Bank's continuing exposure to the risks and rewards of these assets using the same accounting policies (and in case the buyer have the right to sell or re-pledge these assets, it should be reclassified as financial assets pledged as collateral).

The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest method.

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

Financial assets pledged as collateral

The assets pledged by the Bank are for the purpose of providing collateral for the counter party to the extent that counter party is permitted to sell and /or re-pledge the assets. The method of valuation is related to the financial policies for its basic classification.

Assets seized by the Bank

Assets seized by the Bank 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 statement of financial position date on an individual basis and impairment losses are recognized in the consolidated statement of profit or loss, 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.

Intangible assets

Intangible assets not acquired through business combination are measured on initial recognition at cost.

Intangible assets are classified based on whether it has a finite or indefinite life.

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. The amortization and the impairment expenses are recorded in the consolidated statement of profit or loss.

Internally generated intangible assets are not capitalized and are expensed in the consolidated statement of profit or loss in the same period.

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

Intangible assets include computer software and programs and participation fees Bank's Management estimates the economic useful lives of each item and amortize it using the straight line basis, where computer software and programs and participation fees are amortized by 20% and 5% respectively.

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates ruling at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into respective functional currencies at exchange rates prevailing at the consolidated financial position date as issued by Central Bank of Jordan. Any gains or losses are taken to the consolidated statement of profit or loss.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and cash balances with central bank and financial institutions that have original maturities of three months or less, net of banks and financial institutions deposits that have original maturities within three months and restricted balances.

(3) USE OF ESTIMATES

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

The Management of the Bank believes that their estimates within the consolidated financial statements are reasonable and are as follows:

- Provision for credit losses: credit losses provision is reviewed in accordance with the Central bank of Jordan regulations.
- Impairment losses on seized assets are based on recent assets revaluation reports issued by reliable valuation experts for the purpose of determining the impairment in their carrying value. The impairment is reviewed periodically.
- Income tax provision: income tax expense is charged according to the laws, regulations and accounting standards. Income tax liability and deferred income tax assets and liabilities are properly calculated and recognized.
- 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 expected useful economic lives in the future. Impairment loss (if any) is taken to the consolidated statement of profit or loss.
- Management reviews the carrying values of financial assets held at cost, and any identified impairment is recorded in the consolidated statement of profit or loss.
- Legal provision is calculated for any legal liabilities according to the Bank's legal counsel opinion.

(4) Cash And Balances at Central Bank

The details are as follows:

	2016	2015
	JD	JD
Cash on hand	9,024,685	6,443,146
Balances at Central Bank of Jordan:		
Current accounts and demand deposits	19,963,685	11,103,441
Tem and notice deposit	50,000,000	200,000,000
Certificates of deposit	-	66,600,000
Statutory cash reserve	63,938,828	52,164,971
Total	142,927,198	336,311,558

- There are no restricted balances other than the statutory cash reserve as at 31 December 2016 and 2015.

- There are no balances with maturities over three months as at 31 December 2016 and 2015.

(5) Balances At Banks And Financial Institutions

The details are as follows:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Current and demand deposits	-	-	1,223,763	13,777,832	1,223,763	13,777,832
Deposit maturing within or less than 3 months	16,000,000	-	79,598,925	22,452,524	95,598,925	22,452,524
Total	16,000,000	-	80,822,688	36,230,356	96,822,688	36,230,356

- Non-interest bearing balances at banks and financial institutions amounted to JD 1,223,763 as at 31 December 2016 (2015: JD 13,777,832).

- The restricted balances amounted to JD 3,545,000 as at 31 December 2016 to, and no restricted balances as at 31 December 2015 .

(6) Deposits At Banks And Financial Institutions

The details are as follows:

Deposits mature within :	2016 JD	2015 JD
3 to 6 months	13,088,196	13,914,133
More than 6 to 9 months	2,127,000	-
More than 9 to 12 months	-	3,545,000
Total	15,215,196	17,459,133

- There are no restricted deposits balances as at 31 December 2016 and restricted deposits balances amounted to JD 3,545,000 as at 31 December 2015

(7) Direct Credit Facilities - Net

The details are as follows:

	2016 JD	2015 JD
Consumer		
Loans and bills *	79,225,193	59,885,376
Credit cards	1,835,996	1,812,962
Real estate loans	99,947,957	79,950,491
Corporate		
Overdrafts	45,449,769	45,897,514
Loans and bills *	150,250,036	98,735,145
Small and medium enterprises ("SMEs")		
Overdrafts	28,259,735	30,370,594
Loans and bills *	56,606,662	68,340,892
Government and public sector	126,978,775	64,000,000
Total	588,554,123	448,992,974
Less: Interest in suspense	11,226,426	8,927,938
Less: Provision for impairment of direct credit facilities	9,113,050	8,471,002
Direct credit facilities, net	568,214,647	431,594,034

* Net of interest and commissions received in advance of JD 336,367 as at 31 December 2016 (2015: JD 491,600).

- Credit facilities guaranteed by the Jordanian Government amounted to JD 126,978,775 representing 21.57% of total direct credit facilities as at December 2016 (64,000,000 representing 14.25% of total direct credit facilities as at December 2015).
- Non-performing credit facilities amounted to JD 23,954,816, representing 4.07% of total direct credit facilities as at 31 December 2016 (JD 18,992,319 representing 4.23% of total direct credit facilities as at 31 December 2015).
- Non performing credit facilities net of interest in suspense amounted to JD 12,728,390 representing 2.20% of total direct credit facilities net of interest in suspense as at 31 December 2016 (JD 10,064,381 representing 2.29% of total direct credit facilities net of interest in suspense as at 31 December 2015).
- No interest in suspense against performing credit facilities as at 31 December 2016 and 31 December 2015.
- In it's board meeting no. (1/2015) dated 24 February 2015, the Bank have transferred an amount of JD 2,318,305 from the non- performing facilities with the related provisions and interest in suspense to off balance sheet, the bank will maintain it's legal right to collect the amounts from the debtors.

Provision for impairment of direct credit facilities

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

	Consumer	Real estate loans	Corporate	SMEs	Total
2016	JD	JD	JD	JD	JD
At 1 January	4,412,834	825,853	438,782	2,793,533	8,471,002
Charges / (Recoveries) for the year	629,136	47,521	(393,035)	365,097	648,719
Utilized from provision (debts written off)	(6,671)	-	-	-	(6,671)
At 31 December	5,035,299	873,374	45,747	3,158,630	9,113,050
Individual impairment provision	4,878,356	836,586	-	3,150,542	8,865,484
Collective impairment provision for watch list debts	156,943	36,788	45,747	8,088	247,566
Total	5,035,299	873,374	45,747	3,158,630	9,113,050
2015					
At 1 January	3,918,618	866,588	229,135	2,417,580	7,431,921
Charges / (Recoveries) for the year	784,758	(40,735)	209,647	375,953	1,329,623
Utilized from provision (debts written off)	(290,542)	-	-	-	(290,542)
At 31 December	4,412,834	825,853	438,782	2,793,533	8,471,002
Individual impairment provision	4,292,509	795,399	-	2,784,889	7,872,797
Collective impairment provision for watch list debts	120,325	30,454	438,782	8,644	598,205
Total	4,412,834	825,853	438,782	2,793,533	8,471,002

Provisions that are no longer needed due to settlement or debt repayments and were transferred against other debts amounted to JD 1,735,439 as at 31 December 2016 (2015: JD 1,337,934)

Interest in suspense

The movement of interest in suspense is as follows:

2016	Consumer	Real estate loans	SMEs	Total
	JD	JD	JD	JD
At 1 January	5,576,788	1,099,374	2,251,776	8,927,938
Add: Suspended interest during the year	1,573,219	205,041	1,076,551	2,854,811
Less: Interest transferred to income	(281,493)	(28,122)	-	(309,615)
Less: interest in suspense written off	(246,708)	-	-	(246,708)
At 31 December	6,621,806	1,276,293	3,328,327	11,226,426

2015	Consumer	Real estate loans	SMEs	Total
	JD	JD	JD	JD
At 1 January	6,886,732	960,919	2,667,745	10,515,396
Add: Suspended interest during the year	1,466,686	138,455	696,569	2,301,710
Less: Interest transferred to income	(416,451)	-	-	(416,451)
Less: interest in suspense written off	(2,360,179)	-	(1,112,538)	(3,472,717)
At 31 December	5,576,788	1,099,374	2,251,776	8,927,938

(8) Financial Assets at Fair Value through Other Comprehensive Income

The details are as follows:

	2016	2015
	JD	JD
Quoted shares	354,694	126,250
Unquoted shares	124,085	124,085
Total	478,779	250,335

- Dividends distribution on the aforementioned financial assets amounted to JD 18,750 as at 31 December 2016 (2015: 17,000).

(9) FINANCIAL ASSETS AT AMORTIZED COST

The details are as follows:

	2016	2015
	JD	JD
Unquoted financial assets		
Treasury bills	24,856,753	-
Treasury bonds	280,022,353	198,560,077
Corporate bonds	10,261,852	10,268,122
Total unquoted financial assets	315,140,958	208,828,199
Allowance for impairment losses	(651,300)	(541,800)
Total financial assets at amortized cost	314,489,658	208,286,399
Analysis of bonds and bills		
Fixed income	314,489,658	208,286,399

- All financial bonds mature during the years 2017 to 2026.

- Allowance for impairment loss of corporate bonds amounted to JD 651,300 as at 31 December 2016 (2015: JD 541,800)

- During 2016 the Bank sold financial assets at amortized cost for JD 35,034,196 which resulted in a gain on sale of financial assets at amortized cost of JD 3,129,853.

- During 2015 the Bank sold financial assets at amortized cost for JD 33,000,000 which resulted in a gain on sale of financial assets at amortized cost of JD 3,311,961. Moreover, the bank has reassessed its financial model resulting in the reclassification of some financial assets at amortized cost to financial assets at fair value through profit or loss. Those assets mature between the years 2016 and 2019 as disclosed in note 10.

PLEDGED FINANCIAL ASSETS

The details are as follows:

	2016		2015	
	Pledged financial assets	Related liabilities	Pledged financial assets	Related liabilities
	JD	JD	JD	JD
Financial assets at amortized cost	126,403,000	111,204,031	111,846,000	111,760,683
Total	126,403,000	111,204,031	111,846,000	111,760,683

- The below bonds have been pledged against the following:

Bond	Issuance Number	Bond Balance	Maturity Date	Pledged against
Treasury Bonds	28/2014	351,000	27/04/2017	Borrowing from Central Bank
Treasury Bonds	5/2016	52,000	17/02/2021	Borrowing from Central Bank
Treasury Bonds	8/2016	15,000,000	01/03/2021	Deposit for the Social Security Corporation
Treasury Bonds	23/2015	33,000,000	20/08/2022	Deposit for the Social Security Corporation
Treasury Bonds	35/2015	28,000,000	26/10/2022	Deposit for the Social Security Corporation
Treasury Bonds	44/2015	50,000,000	23/11/2022	Deposit for the Social Security Corporation
Total		**126,403,000**		

(10) Financial Assets At Fair Value Through Profit Or Loss

In the board meeting number (5/2015) dated 28 July 2015, the board of directors approved to reclassify some of the treasury bonds maturing between the years 2016 and 2019 from financial assets at amortized cost to financial assets at fair value through profit or loss with an amount of JD 29,613,000 resulting in revaluation gain of JD 2,197,696. During 2016 bank sold all portfolio of assets through profit and loss which resulted in loss amounted to 64,418 JD

(11) Property And Equipment, net

The details are as follows:

	Buildings	Furniture and Fixtures	Vehicles	Computers	Total
2016	JD	JD	JD	JD	JD
Cost:					
At 1 January	13,709,319	4,774,182	227,527	3,854,923	22,565,951
Additions	-	241,328	-	55,418	296,746
Transfer from advance on purchasing property and equipment	-	296,702	-	26,952	323,654
Disposals	-	(164,687)	-	(6,004)	(170,691)
At 31 December	13,709,319	5,147,525	227,527	3,931,289	23,015,660
Accumulated depreciation					
At 1 January	528,934	3,279,284	121,296	2,954,046	6,883,560
Depreciation charged during the year	274,186	375,560	22,524	330,653	1,002,923
Disposals	-	(157,358)	-	(6,004)	(163,362)
At 31 December	803,120	3,497,486	143,820	3,278,695	7,723,121
Net book value of property and equipment	12,906,199	1,650,039	83,707	652,594	15,292,539
Advance on purchasing property and equipment	6,583,673	393,821	-	76,790	7,054,284
Net book value of property and equipment at 31 December	19,489,872	2,043,860	83,707	729,384	22,346,823

2015	Buildings	Furniture and Fixtures	Vehicles	Computers	Total
	JD	JD	JD	JD	JD
Cost:					
At 1 January	13,026,773	4,405,251	179,009	3,623,701	21,234,734
Additions	-	117,899	71,057	222,557	411,513
Transfer from advance on purchasing property and equipment	682,546	253,932	-	8,665	945,143
Disposals	-	(2,900)	(22,539)	-	(25,439)
At 31 December	13,709,319	4,774,182	227,527	3,854,923	22,565,951
Accumulated depreciation					
At 1 January	310,172	2,941,465	100,727	2,565,048	5,917,412
Depreciation charged during the year	218,762	340,719	22,534	388,998	971,013
Disposals	-	(2,900)	(1,965)	-	(4,865)
At 31 December	528,934	3,279,284	121,296	2,954,046	6,883,560
Net book value of property and equipment	13,180,385	1,494,898	106,231	900,877	15,682,391
Advance on purchasing property and equipment	6,583,673	241,805	-	436,612	7,262,090
Net book value of property and equipment at 31 December	19,764,058	1,736,703	106,231	1,337,489	22,944,481

- Property and equipment includes fully depreciated assets amounting to JD 4,958,373 as at 31 December 2016 (2015: JD 4,137,010) and are still in use as at of the date the financial statement.

- The estimated cost to complete the projects under progress amounted to JD 7,440,703 as at 31 December 2016.

(12) Intangible Assets, net

The details are as follows:

	Computer programs, software, key money, and participation fees	
	2016	2015
	JD	JD
At 1 January	935,559	1,026,785
Additions	32,012	89,781
Transfer from advance on purchasing property and equipment	606,955	-
Amortization charge for the year	(219,270)	(181,007)
At 31 December	1,355,256	935,559

- Intangible assets include fully amortized assets amounted to JD 1,257,391 as at 31 December 2016 (2015: JD 1,111,916) and are still in use up to date.

(13) Other Assets

The details are as follows:

	2016	2015
	JD	JD
Accrued interest and revenue	7,790,927	5,907,185
Prepaid expenses	443,401	452,032
Assets seized by the Bank*	2,938,357	3,214,043
Others	2,390,998	1,529,278
Total	13,563,683	11,102,538

* According to Central Bank of Jordan regulations, assets seized by the Bank must be disposed off within two years from the seizure date.

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

	2016	2015
	JD	JD
At 1 January	3,214,043	3,550,468
Additions	342,203	13,757
Disposals	(170,298)	(60,292)
Provision against seized assets*	(444,115)	(291,336)
(Provision) recovery of Impairment loss	(3,476)	1,446
At 31 December	2,938,357	3,214,043

* This provision was provided for in accordance with the central bank of Jordan regulations against seized assets.

(14) Banks And Financial Institution's Deposits

The details are as follows:

	2016				
	Inside Jordan		Outside Jordan		Total
	JD	Foreign	JD	Foreign	JD
Current and demand deposits	-	-	536,838	12,511	549,349
Time deposits	5,000,000	32,623,300	-	6,220,215	43,843,515
Total	5,000,000	32,623,300	536,838	6,232,726	44,392,864

	2015				
	Inside Jordan		Outside Jordan		Total
	JD	Foreign	JD	Foreign	JD
Current and demand deposits	-	-	488,775	29,790	518,565
Time deposits	5,000,000	11,415,802	-	12,120,680	28,536,482
Total	5,000,000	11,415,802	488,775	12,150,470	29,055,047

(15) Customers' Deposits

The details are as follows:

	Retail	Corporate	SMEs	Government and public Sectors	Total
2016	JD	JD	JD	JD	JD
Current and demand deposits	27,776,579	38,361,599	36,172,012	72,001,688	174,311,878
Saving accounts	28,165,838	399,578	115,987	7,611	28,689,014
Time deposits	193,836,663	180,406,773	161,248,927	254,417,521	789,909,884
Certificates of deposit	7,990,218	-	126,217	-	8,116,435
Total	257,769,298	219,167,950	197,663,143	326,426,820	1,001,027,211

2015	Retail	Corporate	SMEs	Government and public Sectors	Total
	JD	JD	JD	JD	JD
Current and demand deposits	35,209,557	25,069,017	33,481,934	9,717,662	103,478,170
Saving accounts	23,242,873	48,063	412,296	6,718	23,709,950
Time deposits	201,714,131	194,317,164	132,927,269	252,576,250	781,534,814
Certificates of deposit	7,919,297	-	55,000	-	7,974,297
Total	268,085,858	219,434,244	166,876,499	262,300,630	916,697,231

- The deposits of the Jordanian government and public sector inside Jordan amounted to JD 326,426,820 representing 32,61% of total deposits as at 31 December 2016 (JD 262,300,630 representing 28,61% of total deposits as at 31 December 2015).

- Non-interest bearing deposits amounted to JD 100,477,605 representing 10.04% of total deposits as at 31 December 2016 (JD 84,299,945 representing 9.20% of total deposits as at 31 December 2015).

- Restricted deposits amounted to JD 4,539 as at 31 December 2016 (2015: JD 4,594).

- Dormant deposits amounted to JD 2,553,014 as at 31 December 2016 (2015: JD 1,168,137).

(16) Margin Accounts

The details are as follows:

	2016	2015
	JD	JD
Margins on direct credit facilities	74,281,791	95,380,964
Margins on indirect credit facilities	12,883,137	3,587,085
Others	1,003,952	630,320
Total	88,168,880	99,598,369

(17) LOANS AND BORROWINGS

The details are as follows:

2016	Amount JD	No. of instalments Total	No. of instalments Remaining	Instalment maturity	Guarantees	Guarantees amounts	Interest rate %	Re-lending interest rate %
French Agency for Development	3,244,718	24	7	Semi annual	-	-	.25 variables	6-8
Central Bank advance*	204,031	4-10	2-3	Monthly	Bonds	403,000	2.75 fixed	5
Central Bank advance*	6,458,374	10-59	2-46	Monthly	Bills	-	1,75-2,75 fixed	4-6.5
Central Bank advance*	2,000,000	30	23	Semi annual	Bills	-	3.05 fixed	0.5-6.5
Central Bank advance*	3,400,000	20	16	Semi annual	Bills	-	2.50 fixed	0.25-6.5
Jordan Real Estates Mortgage Refinancing Company**	2,000,000	2	1	Semi annual	Mortgage	5,123,450	3.75 fixed	7
Total	17,307,123					5,526,450		

* Borrowings from Central Bank include an amount of JD 5,400,000 to finance and support micro, small and medium enterprises and an amount of JD 4,821,650 for medium term lending to support industrial sector and an amount of JD 1,840,755 for medium term lending to support tourism sector.

** All loans borrowed from Jordan Real Estate Mortgage Refinancing Company mature during 2017.

2015	Amount JD	No. of instalments Total	No. of instalments Remaining	Instalment maturity	Guarantees	Guarantees amounts	Interest rate %	Re-lending interest rate %
French Agency for Development	4,357,041	24	10	Semi annual	-	-	.25 variables	8.5
Central Bank advance*	760,683	10	2-6	Monthly	Bonds	846,000	2.75 fixed	5.75 - 6.25
Central Bank advance*	13,737,785	9-181	1-165	Monthly- semi annual	Bills	-	2.2 variable 1.75 - 2.75 fixed	5 - 6.5
Jordan Real Estates Mortgage Refinancing Company**	2,000,000	2	2	Semi annual	Mortgage	3,227,702	3.9 fixed	7.9
Total	20,855,509					4,073,702		

* Borrowings from Central Bank include an amount of JD 3,700,000 to finance and support micro, small and medium enterprises and an amount of JD 6,337,604 for medium term lending to support industrial sector.

** All loans borrowed from Jordan Real Estate Mortgage Refinancing Company mature during 2016.

(18) Other Provisions

The details are as follows:

2016	Balance at 1 January	Provided for during the year	Utilized during the year	Transferred to income	Balance at 31 December
	JD	JD	JD	JD	JD
Provision for lawsuits filed against the bank	218,786	21,417	(158,384)	(8,755)	73,064
2015					
Provision for lawsuits filed against the bank	182,275	38,965	(2,200)	(254)	218,786

Other provision recorded in the consolidated statement of profit or loss represents the provision provided for during the year net of the provision transferred to income, if any.

(19) Income Tax

(A) Income Tax provision

The movement on the income tax provision is as follows:

	2016	2015
	JD	JD
At 1 January	4,299,315	3,324,083
Income tax expense for the year	5,584,628	5,434,554
Income tax paid	(4.648,751)	(4,459,322)
At 31 December	5,235,192	4,299,315

Income tax appearing on the consolidated statement of profit or loss represents the following:

	2016	2015
	JD	JD
Current year income tax	5,584,628	5,434,554
Deferred tax assets for the year	(29,692)	(211,663)
Deferred tax liabilities for the year	96,754	167,557
	5,651,690	5,390,448

- A final settlement has been reached with the Income Tax Department regarding the Bank tax up to 2014. Tax reports for 2015 were submitted to tax department and due tax was paid accordingly .

- A final settlement has been reached with Income Tax Department regarding the Subsidiary tax up to 2012 and 2014 . Tax reports for 2013 and 2015 were submitted to tax department and due tax was paid accordingly.

(B) Deferred income tax assets / liabilities:

The details are as follows:

	2016					2015
	Balance at 1 January	Released during the year	Additions during the year	Balance at 31 December	Deferred Tax	Deferred Tax
Included accounts	JD	JD	JD	JD	JD	JD
Deferred tax assets						
Allowance for impairment losses of credit facilities	1,767,570	-	-	1,767,570	618,650	618,649
Reserve for discounted loans	5,219	-	-	5,219	1,827	1,827
Provision of impairment losses of financial assets at amortized cost	541,800	-	109,500	651,300	227,955	189,630
Provision for employees & BOD remuneration	374,214	(374,214)	398,313	398,313	139,410	130,975
Provision for watch list loans	598,205	(1,150,562)	799,923	247,566	86,648	209,372
Provision for seized assets for more than 4 years	291,336	-	444,115	735,451	257,408	101,967
Impairment loss on real estate	-	-	3,476	3,476	1,217	-
Provision for lawsuit filed against the Bank	218,786	(158,384)	12,662	73,064	25,572	76,575
Total	3,797,130	(1,683,160)	1,767,989	3,881,959	1,358,687	1,328,995

	2016					2015
	Balance at 1 January	Released during the year	Additions during the year	Balance at 31 December	Deferred Tax	Deferred Tax
Deferred tax liabilities	JD	JD	JD	JD	JD	JD
Provision for properties and building depreciation	478,736	(125,665)	402,104	755,175	264,311	167,557
Total	478,736	(125,665)	402,104	755,175	264,311	167,557

The movement on deferred tax assets account is as follows:

	2016	2015
	JD	JD
At 1 January	1,328,995	1,117,332
Additions during the year	618,798	436,625
Released during the year	(589,106)	(224,962)
At 31 December	1,358,687	1,328,995

The movement on deferred tax liabilities is as follows:

	2016	2015
	JD	JD
At 1 January	167,557	-
Additions during the year	140,736	167,557
Released during the year	(43,982)	-
At 31 December	264,311	167,557

(C) Reconciliation between accounting profit and taxable profit is as follows:

	2016	2015
	JD	JD
Accounting profit	16,559,726	15,399,674
Non-taxable income	(2,515,928)	(1,099,237)
Non- deductible expenses	1,928,318	1,251,751
Taxable profit	15,972,116	15,552,188
Effective income tax rate	34,13%	35%
Statutory income tax rate	35%	35%

(20) OTHER LIABILITIES

The details are as follows:

	2016	2015
	JD	JD
Accrued interest expense	5,627,895	5,806,785
Interest and commissions received in advance	67,421	246,090
Accrued expenses	795,767	901,878
Social security and income tax deposits	183,252	123,033
Checks and payments order	1,943,630	2,356,940
Inter-branches settlement	911,089	395,347
Board of Director remunerations	90,638	88,764
Restricted balances	2,660,528	840,606
Others	985,937	903,165
Total	13,266,157	11,662,608

(21) AUTHORISED AND PAID IN CAPITAL

Issued, authorized, and paid in capital

As at 31 December 2016, the paid in capital amounted to 100,000,000 (2015: JD 100,000,000) each having a par value of JD 1.

(22) RESERVES

Statutory reserve

As required by the Banking and Companies Law, 10% of the profit before tax and fees is transferred to the statutory reserve. This reserve is not available for distribution to shareholders.

Voluntary Reserve

This balance represents maximum 20% of profit before tax transferred during previous years. The reserve shall be used at the discretion of the Board of Directors, and the General Assembly has the right to distribute it to the shareholders in part or in full.

General banking risk reserve

This reserve is appropriated from retained earnings in compliance with the regulations of the Central Bank of Jordan.

The use of the following reserves is restricted as follows:

Name of the reserve	Amount	Nature of restriction
	JD	
Statutory reserve	10,411,064	Banks and Companies Laws
General banking risk reserve	4,167,794	Central Bank of Jordan regulations

(23) Fair Value Reserve, Net

The details are as follows:

	2016	2015
	JD	JD
Balance at 1 January	1,250	(58,750)
Change in fair value reserve	(54,250)	60,000
Balance at 31 December	(53,000)	1,250

(24) Retained Earnings

The details are as follows:

	2016	2015
	JD	JD
Balance at the beginning of the year	15,354,418	11,616,667
Profit for the year	10,908,035	10,009,226
Transfers to reserves	(2,447,498)	(2,271,475)
Dividends*	(5,000,000)	(4,000,000)
Balance at the end of the year	18,814,955	15,354,418

Retained earnings includes an amount of JD 1,358,687 representing deferred tax assets as at 31 December 2016 (2015: JD 1,328,995) and according to the Central Bank of Jordan this amount is restricted from use.

Retained earnings include a restricted amount of JD 48,831, which represents the effect of the early adoption of IFRS 9, except for the amounts realized through the actual selling of the respective assets.

* In its ordinary meeting held on 6 April 2016, the general assembly approved the distribution of cash dividends for the year 2015 with a percentage of 5% from paid in capital.

(25) INTEREST INCOME

The details are as follows:

	2016	2015
	JD	JD
Direct credit facilities		
Retail:		
Loans and bills	4,335,898	3,621,667
Credit cards	94,103	92,838
Real estate loans	5,461,196	4,915,331
Corporate:		
Overdrafts	2,997,269	2,269,168
Loans and bills	9,241,925	6,410,891
SMEs:		
Overdrafts	1,863,641	1,501,518
Loans and bills	3,481,893	4,437,387
Government and public sector	5,523,864	4,291,158
Balances at Central Bank of Jordan	2,862,976	3,690,745
Balances at banks and financial institutions	1,087,196	537,562
Financial assets at amortized cost	18,982,472	16,022,075
Total	55,932,433	47,790,340

(26) INTEREST EXPENSE

The details are as follows:

	2016	2015
	JD	JD
Banks and financial institution deposits	753,267	524,447
Customers deposits:	**28,898,203**	**23,889,911**
Current accounts and demand deposits	657,636	503,026
Saving accounts	12,931	7,295
Time deposits	28,045,772	22,987,945
Certificates of deposits	181,864	391,645
Margin accounts	3,358,471	3,732,843
Loans and borrowings	87,235	105,362
Deposit guarantee fees	2,143,048	1,495,909
Total	35,240,224	29,748,472

(27) NET COMMISSION INCOME

The details are as follows:

	2016	2015
	JD	JD
Commission income:		
Direct credit facilities commissions	1,341,017	1,080,194
Indirect credit facilities commissions	1,251,395	780,029
Brokerage Company commissions	73,397	83,185
Net Commission income	2,665,809	1,943,408

(28) GAINS FROM FOREIGN CURRENCIES

The details are as follows:

	2016	2015
	JD	JD
From transaction	255,904	242,590
From revaluation	672,931	665,096
Total	928,835	907,686

(29) OTHER INCOME

The details are as follows:

	2016	2015
	JD	JD
Credit cards commissions	341,175	297,448
Outgoing and incoming transfers commissions	258,648	231,306
Certified checks commissions	12,631	13,517
Checks under collection commissions	19,071	18,152
Salary transfers commissions	86,931	69,989
Returned checks commissions	126,755	128,154
Safety deposit boxes commissions	20,540	18,470
Check books commissions	35,131	32,360
Phone, fax, water and electricity commissions	4,309	3,794
Gain from redemption of written off debts	148,055	110,876
Gain from sale of seized assets	35,201	27,707
Dormant accounts commission	23,247	17,566
Commissions from private banking products	23,981	7,822
Accounts management fees	318,994	253,994
Other revenue	461,228	82,114
Total	1,915,897	1,313,269

(30) Employees Expenses

The details are as follows:

	2016	2015
	JD	JD
Employees' salaries and benefits	4,737,220	4,255,018
Bank's contribution to social security	500,138	419,198
Medical expenses	261,781	232,006
Employees training	57,230	52,121
Travelling per diem	24,265	23,406
Life insurance	15,513	7,790
Others	41,006	25,828
Total	5,637,153	5,015,367

(31) Other Expenses

The details are as follows:

	2016	2015
	JD	JD
Insurance	257,180	252,271
Electricity and water	512,238	539,609
Vehicles	10,014	12,525
Transportation	19,201	30,568
Board of Director transportation	57,981	26,400
Maintenance	285,828	307,502
Computer	513,076	421,541
Stationary and printing	159,535	158,847
Hospitality	67,005	56,945
Donations	56,048	36,212
Money transfer	37,819	39,004
Real estate	1,950	4,825
Books and magazines	2,855	3,322
Rent	437,033	363,811
Consultation and lawyer fees	113,838	128,887
Professional fees	65,840	71,949
Other consulting fees	114,880	98,066
Telephone and fax	609,826	589,643
Media and advertising	433,454	396,322
Taxes and license fees	199,311	205,115
Losses from sale of property and equipment	157	2,074
Private subscriptions	115,642	136,089
Governmental subscriptions	228,754	271,917
Security	57,436	51,891
Board of director remunerations	90,638	88,764
Legal fees	183,181	193,979
Investor guarantee fund	1,831	2,177
Others	20,317	15,902
Total	4,652,868	4,506,157

(32) Basic and Diluted Earnings Per Share

The details are as follows:

	2016	2015
Profit for the year (JD)	10,908,035	10,009,226
Weighted average number of shares during the year	100,000,000	100,000,000
	JD/Fils	JD/Fils
Basic and diluted earnings per share attributable to the bank's shareholders	0/109	0/100

(33) Cash and Cash Equivalents

The details are as follows:

	2016	2015
	JD	JD
Cash and balances with central bank maturing within 3 months	142,927,198	336,311,558
Add: Balances at banks and financial institutions maturing within 3 months	96,822,688	36,230,356
Less: Banks and financial institutions' deposits maturing within 3 months	(39,392,864)	(24,055,047)
Less: restricted balances	(3,545,000)	-
Total	196,812,022	348,486,867

(34) Related Party Transactions

The accompanying consolidated financial statements include the Bank and the following subsidiary:

		Company's capital	
Company name	Ownership percentage	2016	2015
	%	JD	JD
Societe Generale Brokerage Company	100	750,000	750,000

The Bank entered into transactions with major shareholders, Board of Directors, and executive management and their related subsidiaries within the ordinary course of business at commercial interest rates and commissions. All the facilities granted to related parties are performing and no provisions have been provided for.

The following table represents the summary of the transactions that took place during the year with related parties:

	Related party					Total	
	Parent company (Societe General bank – Lebanon)	Board of Directors	Subsidiary	Executive Management	Others (Employees and their relatives, board of directors and executive management relatives)	31 December 2016	31 December 2015
	JD	JD	JD	JD	JD	JD	JD
Statement of financial position items:							
Direct credit facilities	-	739,195	-	860,907	11,858,674	13,458,776	16,551,011
Deposits at Bank	23,002	547,607	1,130,196	34,119	1,487,451	3,222,375	9,623,402
Margin accounts	-	3,750	-	2,781	3,208,357	3,214,888	14,569,106
Bank deposits with related parties	66,280,323	-	-	-	-	66,280,323	11,333,429
Off balance items:							
Indirect credit facilities	1,084,905	202,049	150,000	4,000	347,300	1,788,254	11,047,894
Statement of income items:							
Interest and commission income	657,276	41,628	-	32,119	400,109	1,131,132	1,662,613
Interest and commission expense	8,936	16,171	48,456	597	205,670	279,830	864,151

Debit interest rates on credit facilities in Jordanian Dinar range between 1.25 % - 13%
Debit interest rates on credit facilities in foreign currency range between 3 % - 6.25 %
Credit interest rates on deposits in Jordanian Dinar range between 0.05% - 6.5%
Credit interest rates on deposits in foreign currency range between 0.01 % - 3 %

Compensation of the key management personnel is as follows:

	2016	2015
	JD	JD
Benefits (Salaries, wages and bonuses) of key executive Management	1,084,431	1,136,155

(35) PROPOSED DIVIDENDS

In its meeting held on 23 February 2017, the board of directors approved the distribution of cash dividends for the year 2016 of 7% of the paid in capital (which amounts to JD 7 millions) and are subject to the approval of the Central Bank of Jordan and the general assembly.

(36) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES THAT ARE NOT PRESENTED AT FAIR VALUE

	2016		2015	
	Book value	Fair value	Book value	Fair value
	JD	JD	JD	JD
Cash and balances at CBJ	245,940,397	245,940,397	383,557,901	383,557,901
Financial assets at amortized cost	440,892,658	450,271,082	320,132,399	332,403,070
Direct credit facilities - net	568,214,647	568,214,647	431,594,034	431,594,034
Banks and financial institutions' deposits	44,392,864	44,392,864	29,055,047	29,055,047
Customers' deposits	1,001,027,211	1,001,027,211	916,697,231	916,697,231
Margin accounts	88,168,880	88,168,880	99,598,369	99,598,369
Loans and borrowings	17,307,123	17,307,123	20,855,509	20,855,509

(37) Risk Management Policies

The Bank maintains strong risk management environment and a balanced exposure between risks and returns that aims to achieve on the whole portfolio level and on each division of work separately.

The interaction between Bank's activities and the diversity of products and services provided requires definition, measurement, aggregation, risk management and effective allotment of capital to achieve the typical standard of returns against risks. The Bank manages the risks exposed to in an organized, standardized and transparent mode through risk policy which formulates the comprehensive risk management as a fundamental part of organization chart, in addition through the risk measurement and control procedures.

Characteristics of Bank comprehensive risk management policy:

- The Bank's board of directors provides guidance and vision of risk management.
- Risk management is a main procedure in the Bank and is considered a major duty of all employees.
- Risk management in the Bank is independent from the other Bank divisions.
- Internal audit section or function of the Bank presents reports to the Bank's audit committee and provides independent opinion on the adherence of each division with risk management policies and procedures in addition to the efficiency of risk management in all divisions.

- Risk management assist and support the top management in the control and the effective management of risks that the Bank face. The following are the main responsibilities of risk management:

  - Ensuring that the general strategy of the Bank is consistent with the acceptable risk levels set by the Bank's board and executed by the top management, as well as the risk policies, procedures, and methods coincide with Bank's acceptable risk levels.
  - Assessing and analysing the Bank's risks profile through developing and applying risk control process.
  - Creating and developing clear standards to define and limits to each type of risks.
  - Developing and elaborating methods to measure each type of risks.
  - Providing recommendations of strategies and procedures that must be adopted to reduce the risks.

- The Bank applies Basel II principles and Central Bank of Jordan regulations concerning risk management framework, as follows:

  1. The Bank applies capital adequacy approach within the Basel II framework which sets the standards to calculate capital adequacy ratio and maintain the minimum level of required capital to cover credit risks, market risks (standardized approach), and operational risks (basic indicator approach).
  2. During 2016 the Bank applied stress testing within the Basel II pillar 2 framework, these tests aim to reinforce risks definition and management operations and provide risk management tools that comprehend other risk management tools to enhance capital management and liquidity of the Bank.
  3. The Bank has developed written policies and procedures verifying the principles that will be adopted by the Bank regarding Internal Capital Assessment Adequacy Process (ICAAP), which aims to develop and use better tools to manage the risk in addition to measure and assess the capital adequacy level capability to assimilate overall risks on the Bank.

Risk measurements and reporting methods:

The Bank measures and classifies risks and its effects on the Bank results regularly and according to risk type.

Credit Risks

Credit risk is the risk that other obligor's (borrower) is unable to meet its financial obligations to the Bank (lender) which may result in losses and rise to credit risk.

Credit Risk Management Strategy:

The Board of Directors defines credit risk management strategy of the Bank and adopt the credit risk policies to ensure that risks are at acceptable level, which reflects the ability to handle risks by Bank's Board of Directors compared to the expected future returns.

Risk management model rely on a secure autonomy and assurance of right evaluation process and supervision and providing credit risk reports consistent with the policies and authorities limits which provide guidelines to daily management of risk exposures.

The objective of credit policy of the Bank is to create strong risk management based on policies and procedures that determine the Bank lending activities and its main objective is to achieve highly credible and efficient financial results. The permanent procedures in the credit policy guideline require full review of all credit departments recommendations by every credit control and administrative division before it is presented to the specific credit committee and when necessary, securities are requested against the credit facilities to mitigate the risk of related credit.

Credit risk management structure:
Top management follows the Board of Directors' strategy with regard to credit risk management in addition to preparing the roles and the procedures to determine, evaluate, monitor, and control credit risk.

Credit risk management structure includes several executive committees, which are responsible to discuss the credit risk analysis reports of the Bank's portfolio as follows:

Risk committee on Board of Director's level: discusses risk reports including credit risk report, and present the report to the risk committee members of the Board.

Credit risk committee: discusses credit risk report on top management level regarding the assets of the portfolio and its distribution among borrowers, economic sectors, internal credit ratings, and facility types, in addition to nonperforming portfolio and the updated actions taken in the legal cases against clients and other related risk subjects.

Sensitive risk committees: several meetings held on different management levels based on credit exposure of clients, who have reflected weakness indicators or are related to a particular economic sector with high instability and bad indicators.

Main characteristics of credit risk management:
Risk management process is based on the relationship and interference between:

Plans and strategies of the Bank's portfolio: portfolio plans and strategies are set based on the required financial results and the desired return combined with the acceptable risk level to the Bank, at the same time, these plans and strategies are designed at each unit level as required and are based on the approved limits and concentration for each unit to achieve the overall expected return within the acceptable risk level.

Credit granting, renewal, increase, modification and control: Each unit grant, evaluate and manage its related credit portfolio according to the plans and strategies of the unit and in accordance with the return and required risk level through market and economic studies in addition to analyzing the borrower's related financial statements and management and other measurements, thus making a credit decision and deciding on the type of collaterals required. Consequently, each borrower will be classified within the rating system of the Bank.

Performance evaluation and reporting: a periodic evaluation at each unit level and at the Bank's credit portfolio level to assess the efficiency and accuracy of plans and strategies execution and goals achievement and results of each unit of the Bank separately. In addition the Bank's portfolio is evaluated by its distribution among economic sectors, borrowers, rates, periods, products, collaterals and other basis.

Periodic review on companies' internal rates is performed by the Bank's risk management in accordance with the specialized management; the rating is modified constantly according to clients' credit record and developments of financial situation and the economic activity based on the risk degree the Bank is exposed to through this relationship. Taking into consideration that all credit policies, programs and new measurements of assets quality, are reviewed and approved by credit risk management committee; which includes premier members in business and risk management.

Credit risk monitoring:

The Bank's exposure is monitored constantly through the early identification systems of possible changes in creditworthiness of the customers which aims to detect any negative indicator that may lead to a potential loss in the quality of the credit risk. The early identifications is being done through periodic credit reports which is presented to the top management and it is also used to reassess the customer's financial position for renewal purposes or major changes in the customer financial position to enable the management to take the right action on time.

Credit risk mitigation:

The variation of credit portfolio is a major factor of the Bank's strategy to mitigate credit risk through distribution of credit portfolio based on borrower type, economic sector of borrowers and other factors which guarantee the highest level of returns within acceptable risk to the Bank. In addition, risk mitigations are used such as obtaining collaterals and guarantees which are considered effective factors to mitigate this type of risk within the Bank's portfolio, these collaterals are controlled and monitored constantly.

Credit risk concentration:

Credit risk concentration arises when groups of parties in similar commercial activity, within the same geographical area, or with the same economic characteristics, affect the ability to meet their commitments in case of economic, political or other changes.

The Bank seeks to manage the concentration risk through diversifying its credit activities to avoid high concentration of unacceptable risk of individuals or group of clients or particular business sector and through spreading the portfolio to avoid any possible losses.

1) Credit risk exposures (Net of the provision for impairment losses and interest in suspense and before collaterals and other risk mitigations).

	2016	2015
	JD	JD
Consolidated statement of financial position items:		
Cash and balances at Central Bank	133,902,513	329,868,412
Balances at banks and financial institutions	96,822,688	36,230,356
Deposits at banks and financial institutions	15,215,196	17,459,133
Credit facilities:	568,214,647	431,594,034
Consumer	69,404,084	51,708,716
Real estate Loans	97,798,290	78,025,264
Corporate lending	195,654,058	144,193,877
Small and medium enterprises (SME's)	78,379,440	93,666,177
Government and public sector	126,978,775	64,000,000
Bonds and treasury bills	440,892,658	351,984,461
Included in financial assets at amortized cost	314,489,658	208,286,399
Included in pledge financial assets	126,403,000	111,846,000
Included in financial assets at fair value through profit or loss	-	31,852,062
Other assets	7,790,927	5,907,185
Total consolidated statement of financial position items	1,262,838,629	1,173,043,581
Contingent liabilities		
Letters of guarantee	61,496,562	63,118,676
Letters of credit	10,506,800	13,264,819
Acceptances	5,816,902	5,596,885
Unutilized credit facilities	75,932,702	48,200,414
Total contingent liabilities	153,752,966	130,180,794
Total consolidated statement of financial position items and contingent liabilities	1,416,591,595	1,303,224,375

- The table above shows the maximum exposure of credit risk as at 31 December 2016 and 2015 without taking into consideration the collaterals and credit risk mitigations.

- Regarding assets items that are included in the consolidated statement of financial position, the above exposure is based on the balance as it appears in the consolidated statement of financial position.

2) Credit exposures are distributed by the level of risks according to the following table:

2016	Consumer	Real Estate Loans	Corporate	SMEs	Government and public sector	Other Banks and Financial institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	4,757,955	7,644,583	7,840,231	21,561,211	697,698,018	-	739,501,998
Acceptable risk	61,205,542	86,508,616	196,163,083	53,990,639	-	112,415,444	510,283,324
Maturing*							
Up to 30 days	73,720	553,013	79,834	40,835	-	-	747,402
From 31 to 60 days	59,595	45,472	133,372	228,592	-	-	467,031
Watch list	3,237,054	2,673,957	2,976,524	550,432	-	-	9,437,967
Non performing:	11,930,024	3,260,677	-	8,764,115	-	-	23,954,816
Substandard	416,539	315,936	-	-	-	-	732,475
Doubtful	636,548	651,256	-	1,943,023	-	-	3,230,827
Loss	10,876,937	2,293,485	-	6,821,092	-	-	19,991,514
Total	81,130,575	100,087,833	206,979,838	84,866,397	697,698,018	112,415,444	1,283,178,105
Less: Interest in suspense	6,621,806	1,276,293	-	3,328,327	-	-	11,226,426
Less: Allowance for impairment losses	5,035,299	873,374	45,747	3,158,630	-	-	9,113,050
Net	69,473,470	97,938,166	206,934,091	78,379,440	697,698,018	112,415,444	1,262,838,629

2015	Consumer	Real Estate Loans	Corporate	SMEs	Government and public sector	Other Banks and Financial institutions	Total
	JD	JD	JD	JD	JD	JD	JD
Low risk	4,716,716	9,161,918	14,804,496	25,546,762	741,183,379	-	795,413,271
Acceptable risk	44,402,243	65,786,322	135,637,340	67,184,483	-	53,845,382	366,855,770
Maturing*							
Up to 30 days	64,762	131,114	858,288	76,276	-	-	1,130,440
From 31 to 60 days	73,646	27,791	47,653	137,017	-	-	286,107
Watch list	1,935,417	2,257,283	4,415,276	573,185	-	-	9,181,161
Non performing:	10,745,379	2,834,422	-	5,412,518	-	-	18,992,319
Substandard	297,556	318,425	-	-	-	-	615,981
Doubtful	629,364	222,666	-	26,919	-	-	878,949
Loss	9,818,459	2,293,331	-	5,385,599	-	-	17,497,389
Total	61,799,755	80,039,945	154,857,112	98,716,948	741,183,379	53,845,382	1,190,442,521
Less: Interest in suspense	5,576,788	1,099,374	-	2,251,776	-	-	8,927,938
Less: Allowance for impairment losses	4,412,834	825,853	438,782	2,793,533	-	-	8,471,002
Net	51,810,133	78,114,718	154,418,330	93,671,639	741,183,379	53,845,382	1,173,043,581

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

\- Credit exposures include credit facilities, balances and deposits at banks, bonds, treasury bills and any other assets exposed to credit risk.

The following is the distribution of the fair value of collateral against credit facilities (risk mitigations):

2016	Consumer	Real estate loans	Corporate	SMEs	Government and public sector	Total
	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	4,757,955	7,644,583	7,840,231	21,561,211	126,978,775	168,782,755
Acceptable risk	14,512,176	80,948,981	21,882,973	9,467,187	-	126,811,317
Non performing:	145,976	2,555,985	-	4,362,282	-	7,064,243
Substandard	4,417	570,842	-	-	-	575,259
Doubtful	20,549	797,118	-	1,682,052	-	2,499,719
Loss	121,010	1,188,025	-	2,680,230	-	3,989,265
Total	19,416,107	91,149,549	29,723,204	35,390,680	126,978,775	302,658,315
Comprising of:						
Cash collateral	4,757,955	7,644,583	7,840,231	21,561,211	-	41,803,980
Real estate	3,476,635	83,504,966	21,780,584	12,986,062	-	121,748,247
Vehicles and machinery	11,181,517	-	102,389	843,407	-	12,127,313
Jordanian government guarantee	-	-	-	-	126,978,775	126,978,775
	19,416,107	91,149,549	29,723,204	35,390,680	126,978,775	302,658,315

2015	Consumer	Real estate loans	Corporate	SMEs	Government and public sector	Total
	JD	JD	JD	JD	JD	JD
Collaterals						
Low risk	4,716,716	9,161,918	14,804,496	25,546,762	64,000,000	118,229,892
Acceptable risk	10,337,994	77,337,194	16,787,008	28,248,929	-	132,711,125
Non performing:	2,353,987	2,399,126	-	1,580,509	-	6,333,622
Substandard	179,855	724,515	-	-	-	904,370
Doubtful	235,056	361,450	-	-	-	596,506
Loss	1,939,076	1,313,161	-	1,580,509	-	4,832,746
Total	17,408,697	88,898,238	31,591,504	55,376,200	64,000,000	257,274,639
Comprising of:						
Cash collateral	4,716,716	9,161,918	14,804,496	25,546,762	-	54,229,892
Real estate	1,723,759	79,499,775	16,595,304	26,940,422	-	124,759,260
Vehicles and machinery	10,968,222	236,545	191,704	2,889,016	-	14,285,487
Jordanian government guarantee	-	-	-	-	64,000,000	64,000,000
	17,408,697	88,898,238	31,591,504	55,376,200	64,000,000	257,274,639

Rescheduled Debts:
Are defined as debts that were classified as "non-performing" facilities, and subsequently removed and included under "Watch List" based on proper rescheduling. Total rescheduled debts amounted to JD 2,324,193 as at 31 December 2016 (2015: JD 2,165,114).

The outstanding balance of the rescheduled debts represents loans that are classified under watch list or transferred to performing facilities.

Restructured Debts:
Restructuring is the rearrangement of credit facilities in terms of instalments, extending the term of credit facilities, deferment of instalments, or extending the grace period. Accordingly, those facilities are classified as "Watch List". Total restructured debts amounted to JD 6,557,422 as at 31 December 2016 (2015: JD 5,131,200).

3) Bonds and treasury bills:
The following table illustrates the classifications of bonds and treasury bills according to the external classification institutions as at 31 December 2016 and 2015:

Classification degrees: 2016	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial assets at fair value through Profit or loss	Pledged Financial assets	Total
	JD	JD	JD	JD	JD
Governmental	-	304,879,106	-	126,403,000	431,282,106
Unclassified	-	9,610,552	-	-	9,610,552
Total	-	314,489,658	-	126,403,000	440,892,658

Classification degrees: 2015	Financial assets at fair value through other comprehensive income	Financial assets at amortized cost	Financial assets at fair value through Profit or loss	Pledge Financial assets	Total
	JD	JD	JD	JD	JD
Governmental	-	198,560,077	31,852,062	111,846,000	342,258,139
Unclassified	-	9,726,322	-	-	9,726,322
Total	-	208,286,399	31,852,062	111,846,000	351,984,461

4) Concentration in credit exposures according to the geographic distribution, as follows:

2016	Inside Jordan	Other Middle East countries	Europe	Asia *	America	Others	Total
	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central bank	133,902,513	-	-	-	-	-	133,902,513
Balances at banks and financial institutions	16,000,000	82,650,341	12,947,303	31,275	399,938	9,027	112,037,884
Credit facilities:	568,214,647	-	-	-	-	-	568,214,647
Consumer	69,404,084	-	-	-	-	-	69,404,084
Real estate loans	97,798,290	-	-	-	-	-	97,798,290
Corporate	195,654,058	-	-	-	-	-	195,654,058
Small and medium enterprise (SME's)	78,379,440	-	-	-	-	-	78,379,440
Government and public sector	126,978,775	-	-	-	-	-	126,978,775
Bills and treasury bonds:	440,892,658	-	-	-	-	-	440,892,658
Included in financial assets at amortized cost	314,489,658	-	-	-	-	-	314,489,658
Included in financial assets at fair through loss or profit	-	-	-	-	-	-	-
Included in pledged financial assets	126,403,000	-	-	-	-	-	126,403,000
Other assets	7,422,856	368,071	-	-	-	-	7,790,927
Total 2016	1,166,432,674	83,018,412	12,947,303	31,275	399,938	9,027	1,262,838,629
Total 2015	1,119,219,257	22,844,688	25,925,504	207,489	4,827,245	19,398	1,173,043,581

* Except for Arab countries.

5) Concentration in credit exposures according to economic sector is as follows:

Item / economic sector	Financial	Industrial	Commercial	Real estate	Agriculture	Stocks	Individuals	Government and public sector	Others	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at Central Bank	-	-	-	-	-	-	-	133,902,513	-	133,902,513
Balances at banks and financial institutions	112,037,884	-	-	-	-	-	-	-	-	112,037,884
Credit facilities	20,145,779	70,795,616	137,122,146	60,492,145	845,032	-	116,010,402	126,978,775	35,824,752	568,214,647
Consumer	-	605,583	18,416,309	-	53,965	-	50,328,227	-	-	69,404,084
Real estate loans	-	1,087,908	13,447,019	20,245,946	78,323	-	62,939,094	-	-	97,798,290
Corporate	17,231,185	52,286,121	67,334,209	25,004,008	712,744	-	-	-	33,085,791	195,654,058
Small medium enterprises(SME)	2,914,594	16,816,004	37,924,609	15,242,191	-	-	2,743,081	-	2,738,961	78,379,440
Government & public sector	-	-	-	-	-	-	-	126,978,775	-	126,978,775
Bills and treasury bonds:	-	-	9,610,552	-	-	-	-	431,282,106	-	440,892,658
Included in financial assets at amortized cost	-	-	9,610,552	-	-	-	-	304,879,106	-	314,489,658
Included in financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-
Included in pledge financial assets	-	-	-	-	-	-	-	126,403,000	-	126,403,000
Other assets	-	-	-	-	-	-	-	-	7,790,927	7,790,927
Total 2016	132,183,663	70,795,616	146,732,698	60,492,145	845,032	-	116,010,402	692,163,394	43,615,679	1,262,838,629
Total 2015	75,458,860	65,890,472	119,187,385	58,084,279	1,621,210	-	79,918,044	736,126,551	36,756,780	1,173,043,581

Market Risks

Market risks arise from fluctuations in interest and exchange rates in addition to stock prices. The level of tolerated risk values is set by the Board of Directors.

The Bank works towards managing and mitigating these market risks through establishing a specialized and independent unit for this purpose holding the responsibility of managing the above mentioned risks. Additionally, the bank established the necessary policies and procedures in this respect since the duties of the market risk unit is represented in managing the Bank's assets and liabilities in foreign currencies, in addition to monitoring all related operations in foreign currencies, ensuring that they are within the limits specified by management and reporting any exceed of limits in case of occurrence.

The Bank's adopted policy is not to take any open positions or execute any operations for its own account only in exceptional cases subject to the Board of Directors approval, therefore most investment operations are done on behalf of the Bank's clients as the Bank acts only as an investment broker. Furthermore, the general rule of the Bank is not to have any open positions with amounts exceeding the limits specified by management in any foreign currency.

The Bank's positions in foreign currencies are subject to daily monitoring by the market risk unit within the specified limits, and ensuring that such positions are being closed on a daily basis. Furthermore, the Bank does not keep any investment portfolios, in international stocks, precious metals or any other investment instruments related to financial derivatives. The Bank's investments are limited to public debt instruments issued by the Central Bank of Jordan and money market instruments with fixed return.

1 – Interest rate risk:

Interest rate risks arise from the possibility of changes in interest rates affecting the value of financial instruments. The Bank is exposed to interest rate risks due to the inconsistency or gap in the various maturity terms of assets and liabilities or the re-evaluation of interest rates within a certain time period. The Bank manages such risks by reviewing the interest rates on assets and liabilities through the assets and liability committee in the bank.

The consolidated statement of profit or loss sensitivity is represented by the impact of the potential assumed changes in interest rates on the Bank's profit for one year, which is calculated on the financial assets and liabilities that have a variable interest rate as at 31 December 2016 and 31 December 2015.

31 December 2016:	Increase in interest rate	Sensitivity of net interest income (loss)	Sensitivity of net Owner's equity
Currency	Percentage	JD	JD
US Dollar	1%	(66,180)	(66,180)
Euro	1%	8,574	8,574
Other	1%	(584)	(584)
31 December 2015:			
Currency			
US Dollar	1%	(3,409)	(3,409)
Euro	1%	20,127	20,127
Other	1%	(470)	(470)

In the event of an opposite change in the indicator, the effect will be equal to the change above, however, with an opposite sign.

2 – Currency risk

Foreign currency risks are the risks associated with changes in the value of financial instruments as a result of fluctuations in the foreign currency rates. The Bank sets the limits for the financial positions on every currency within the Bank investment policy. Foreign currency positions are subject to daily monitoring by the market risks unit and the treasury department are provided with all outstanding currency positions on a daily basis for the purposes of monitoring and hedging against currency rates changes ensuring that timely decisions are being made.

The Bank adopts a prudent policy with respect to trading and maintaining open positions in foreign currencies by not holding any long or short positions within its portfolios. Accordingly, the associated risks are considered low with no negative effects resulting from the change in exchange rates or the change in the value of financial instruments due to fluctuations in foreign currency rates, taking into consideration that the Jordanian Dinar is the primary currency of the Bank.

The following table illustrates the effect of a reasonable possible change in the exchange rate of the Jordanian Dinar against foreign currencies on the consolidated statement of profit or loss, with all other effective variables unchanged:

31 December 2016 -	Change in exchange rate	Effect on Profits and Losses	Effect on owner's equity
Currency	(Percentage)	JD	JD
Euro	5%	(1,054)	(1,054)
Others	5%	(1,841)	(1,841)

31 December 2015 -	Change in exchange rate	Effect on Profits and Losses	Effect on owner's equity
Currency	(Percentage)	JD	JD
Euro	5%	(274)	(274)
Others	5%	(1,953)	(1,953)

In the event of an opposite change in the indicator, the effect will be equal to the change above, however, with an opposite sign.

3 – Stocks price risk:

Risks of changes in stock prices result from the change in the fair value of stock investments.

The following table indicates the sensitivity of the accumulated change in the fair value due to the reasonable possible changes in stock prices, with all other effective variables unchanged.

	Change In indicator	Effect on Profits and Losses	Effect on owner's equity
31 December 2016	(Percentage)	JD	JD
Amman Stock Exchange Index	(5%)	-	(16,308)
31 December 2015			
Amman Stock Exchange Index	(5%)	-	(6,313)

In the event of an opposite change in the indicator, the effect will be equal to the change above, however, with an opposite sign.

Sensitivity of interest rates is as follows:

	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Non-interest bearing	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Assets								
Cash and balances at central bank	50,000,000	6,267,031	-	-	-	-	86,660,167	142,927,198
Balances at banks and financial institutions	64,695,593	30,903,332	-	-	-	-	1,223,763	96,822,688
Deposits at bank and financial institutions	-	-	13,088,196	2,127,000	-	-	-	15,215,196
Direct credit facilities, net	595,163	4,775,905	559,744,071	1,069,027	412,508	1,617,973	-	568,214,647
Financial asset at fair value through other comprehensive income	-	-	-	-	-	-	478,779	478,779
Financial asset at amortized cost	9,988,667	9,604,624	2,996,409	9,916,088	55,582,100	226,401,770	-	314,489,658
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-
Pledged financial assets	-	351,000	-	-	-	126,052,000	-	126,403,000
Property and equipment, net	-	-	-	-	-	-	22,346,823	22,346,823
Intangible assets, net	-	-	-	-	-	-	1,355,256	1,355,256
Deferred tax assets	-	-	-	-	-	-	1,358,687	1,358,687
Other assets	-	-	-	-	-	-	13,563,683	13,563,683
Total Assets	125,279,423	51,901,892	575,828,676	13,112,115	55,994,608	354,071,743	126,987,158	1,303,175,615
Liabilities								
Banks and financial institution deposits	34,589,515	4,254,000	-	5,000,000	-	-	549,349	44,392,864
Customers' deposits	279,725,091	181,952,901	231,271,657	103,325,929	1,520,545	-	203,231,088	1,001,027,211
Margin accounts	60,177,576	10,653,160	5,156,478	9,915,283	2,266,383	-	-	88,168,880
Loans and borrowings	-	4,282,830	3,612,138	493,333	1,492,395	7,426,427	-	17,307,123
Other provisions	-	-	-	-	-	-	73,064	73,064
Income tax provision	-	-	-	-	-	-	5,235,192	5,235,192
Deferred tax liabilities	-	-	-	-	-	-	264,311	264,311
Other liabilities	-	-	-	-	-	-	13,266,157	13,266,157
Shareholders' Equity	-	-	-	-	-	-	133,440,813	133,440,813
Total Liabilities and shareholders' equity	374,492,182	201,142,891	240,040,273	118,734,545	5,279,323	7,426,427	356,059,974	1,303,175,615
Interest rate sensitivity gap	(249,212,759)	(149,240,999)	335,788,403	(105,622,430)	50,715,285	346,645,316	(229,072,816)	-
2015								
Total Assets	295,542,029	25,895,427	451,407,653	44,626,911	66,743,665	210,220,249	115,705,516	1,210,141,450
Total Liabilities	317,245,944	177,028,640	306,703,084	131,031,396	842,896	5,400,000	144,302,462	1,082,554,422
Interest rate sensitivity gap	(21,703,915)	(151,133,213)	144,704,569	(86,404,485)	65,900,769	204,820,249	(28,596,946)	127,587,028

Concentration in foreign currencies risk:

Item / Currency			Sterling	Japanese		
2016	US Dollar	Euro	Pound	Yen	Other	Total
Assets	JD	JD	JD	JD	JD	JD
Cash and balances at central bank	7,058,784	4,149,193	36,459	-	-	11,244,436
Balances at banks and financial institutions	65,570,442	23,132,579	1,032,297	31,275	6,271,290	96,037,883
Direct credit facilities, net	26,040,832	23,108	-	-	8	26,063,948
Financial asset at amortized cost	12,640,258	-	-	-	-	12,640,258
Other assets	634,462	12,438	14	-	1,165	648,079
Total Assets	111,944,778	27,317,318	1,068,770	31,275	6,272,463	146,634,604
Liabilities						
Banks and financial institution deposits	16,310,388	16,325,424	-	-	6,220,215	38,856,027
Customers' deposits	82,100,537	7,223,204	1,004,059	25,233	7,064	90,360,097
Margin accounts	5,742,850	365,892	39,080	-	-	6,147,822
Loans and borrowings	-	3,244,719	-	-	-	3,244,719
Other liabilities	1,385,287	136,988	25,626	-	14,417	1,562,318
Total Liabilities	105,539,062	27,296,227	1,068,765	25,233	6,241,696	140,170,983
Net concentration in consolidated statement of financial position	6,405,716	21,091	5	6,042	30,767	6,463,621
Contingent liabilities off consolidated statement of financial position	41,195,434	2,545,896	34,294	-	56,691	43,832,315
2015						
Assets						
Cash and balances at central bank	6,094,025	2,066,909	16,470	-	1,181	8,178,585
Balances at banks and financial institutions	31,531,265	14,254,818	1,057,302	207,488	6,638,616	53,689,489
Direct credit facilities, net	29,616,012	42,034	3	7,584,475	5	37,242,529
Financial asset at amortized cost	11,796,222	-	-	-	-	11,796,222
Other assets	387,940	8,041	-	-	4,353	400,334
Total Assets	79,425,464	16,371,802	1,073,775	7,791,963	6,644,155	111,307,159
Liabilities						
Banks and financial institution deposits	12,058,582	5,059,011	-	-	6,448,679	23,566,272
Customers' deposits	62,553,133	6,511,452	1,064,144	7,783,554	157,220	78,069,503
Margin accounts	3,475,467	391,103	15	-	-	3,866,585
Loans and borrowings	-	4,357,041	-	-	-	4,357,041
Other liabilities	1,004,750	47,717	9,508	400	7,304	1,069,679
Total Liabilities	79,091,932	16,366,324	1,073,667	7,783,954	6,613,203	110,929,080
Net concentration in consolidated statement of financial position	333,532	5,478	108	8,009	30,952	378,079
Contingent liabilities off consolidated statement of financial position	46,418,703	5,379,468	49,942	-	75,566	51,923,679

Liquidity risk

Liquidity risks is represented by the Bank's lack of ability in providing the necessary funding required to meet its liabilities when they come due. To avoid such risks, the management diversifies its sources of funding by managing its assets and liabilities through matching their maturity/due dates and maintaining a sufficient balances of cash, cash equivalents, and available for trade securities. In addition, the process of liquidity control and management involves the analysis of the maturity dates of assets and liabilities in a continuous and integrated manner.

Diversification of Funding Sources

The Bank's Management diversifies the funding sources by concentrating on medium and long terms sources through issuing certificates of deposit at competitive interest rates covering all sectors.

Follow up on the maturity term analysis of assets and liabilities

The Bank examines the liquidity of the terms of its assets and liabilities taking into consideration the gaps that may affect liquidity.

Geographic and Sector Distribution

The Bank pays attention to the diversification in distributing its assets and liabilities on various sectors and geographic areas while harmonizing between corporate and individual client sectors leading to a diversification in the sources of funding and variation of entitlements.

Cash reserves with the banking supervisory authority

The Bank maintains a compulsory cash reserve with the banking supervisory authorities amounting to JD 63,938,828.

Compliance with the liquidity ratios set by the banking supervisory authorities

The Bank periodically reviews the liquidity ratios and their conformity to the current and effective regulations.

First: the table below summarizes the liability distribution (undiscounted) on the basis of the remaining period to the contractual maturity at the date of the consolidated financial statements:

2016	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Without maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities								
Banks and financial institution deposits	34,589,515	4,254,000	-	5,000,000	-	-	549,349	44,392,864
Customers' deposits	279,725,091	181,952,901	231,271,657	103,325,929	1,520,545	-	203,231,088	1,001,027,211
Margin accounts	60,177,576	10,653,160	5,156,478	9,915,283	2,266,383	-	-	88,168,880
Loans and borrowings	-	4,282,830	3,612,139	493,333	1,492,395	7,426,426	-	17,307,123
Other provisions	-	-	-	-	-	-	73,064	73,064
Income tax liabilities	-	-	-	-	-	-	5,235,192	5,235,192
Deferred tax liabilities	-	-	-	-	-	-	264,311	264,311
Other liabilities	-	-	-	-	-	-	13,266,157	13,266,157
Total Liabilities	374,492,182	201,142,891	240,040,274	118,734,545	5,279,323	7,426,426	222,619,161	1,169,734,802
Total Assets	150,259,814	67,728,376	46,153,797	51,958,438	157,412,149	702,675,880	126,987,161	1,303,175,615

2015	Less than 1 month	1 – 3 months	3 – 6 months	6 – 12 months	1 – 3 years	3 or more years	Without maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities								
Banks and financial institution deposits	23,536,482	-	-	5,000,000	-	-	518,565	29,055,047
Customers' deposits	219,659,540	157,429,715	296,848,814	114,821,463	502,068	-	127,435,631	916,697,231
Margin accounts	74,005,854	14,164,821	2,351,746	8,735,120	340,828	-	-	99,598,369
Loans and borrowings	44,068	5,434,104	7,502,524	2,474,813	-	5,400,000	-	20,855,509
Other provisions	-	-	-	-	-	-	218,786	218,786
Income tax liabilities	-	-	-	-	-	-	4,299,315	4,299,315
Deferred tax liabilities	-	-	-	-	-	-	167,557	167,557
Other liabilities	-	-	-	-	-	-	11,662,608	11,662,608
Total Liabilities	317,245,944	177,028,640	306,703,084	131,031,396	842,896	5,400,000	144,302,462	1,082,554,422
Total Assets	304,332,279	37,995,416	42,215,847	118,009,781	137,895,021	453,987,590	115,705,516	1,210,141,450

Second: contingent liabilities:

	Less than 1 year	1 – 5 years	Total
	JD	JD	JD
2016 -			
Letters of credit and acceptances	16,323,702	-	16,323,702
Unutilized facilities	75,932,702	-	75,932,702
Letters of guarantee	58,059,964	3,436,598	61,496,562
Total	150,316,368	3,436,598	153,752,966
2015 -			
Letters of credit and acceptances	18,861,704	-	18,861,704
Unutilized facilities	48,200,414	-	48,200,414
Letters of guarantee	57,502,476	5,616,200	63,118,676
Total	124,564,594	5,616,200	130,180,794

Operational risks Management:

Operational risks are represented in the risk of loss due to insufficiency or failure of internal operations work force and regulations which may result from internal or external events.

The Bank works towards managing and reducing operational risks, accordingly, it has established a specialized and independent department concerned in the management of operational risks. Additionally, it has adopted Société Générale Group Policies and procedures regarding this issue.

In this regard, the Bank has enhanced the institutional frameworks that govern the management of operational risks through updating and developing policies and adopting procedures necessary to manage such risks. The department of operational risks manages, identities, measures, controls, and monitors the risk through qualitative and quantitative methods including:

- Documentation of all internal operational risk loss to which the Bank is exposed to and the remedial procedures to ensure no reoccurrence thereof through using a special information recording system (Internal Operational Risk Loss Data Collection).

- Risk Control Self Assessment which involves the assessment of potential losses generated from the Bank's various activities, which enables us to assess the level of the Bank's exposure to operational loss.

- Key risk indicators which indicates the most important operational risks sources to which the Bank may be exposed in order to manage them effectively.

Non-compliance Risks:
These are the risks of organizational or legal penalties or loss of reputation which the Bank may face due to failure of complying with laws and regulations issued by the regulatory bodies.

The Bank pays special attention to the regulations of the banking supervisory authorities, as it has established a special department and a complete set of written policies and procedures to avoid exposure to such risks.

As part of the Bank's strategy, it has recently applied automated solutions to prevent money laundering and avoid implication in such activities which may impair the Bank's reputation

Strategic Risks:
These are the risks of existing or possible negative effect on the shareholders' rights due to action decisions and improper execution, or lack of awareness and reaction to internal or external changes.

Internal control environment:
The Board of Directors ensures the existence of control systems and that the internal control is adequate and effective, and follows up on an ongoing basis, where the relevant departments for internal control (continuous, periodic) submit security and accuracy periodic reports to the Audit Committee and Board of Directors to make sure that the Bank's management practice the appropriate control.

Internal control consists of:

1. Continuous internal control: a collection of works carried out on an ongoing basis in order to ensure the security and accuracy of the transactions at the operational level, which includes all departments of the Bank.

   The continuous internal control is the most important elements approved in the Bank, because it is the first level of internal control, in addition to being one of the requirements of regulatory bodies locally and internationally which is considered the main pillar to reduce the operational risk through constant monitoring of daily business, also lead to the development and quality of the banking services provided to customers.

2. Periodic internal control: assessing the Bank's commitment to the regulations and procedures as well as evaluating the effectiveness of the systems of control and oversight of the Bank, consisting of such control of both the Internal Audit (the second level of internal control), audit of Societe Generale De Banque - Lebanon and Societe Generale group (the third level of internal control).

(38) Segment Information

For management purposes the Bank is organised into four major business segments that are measured according to the reports used by the main decision maker at the bank:

Consumer banking: Principally handling individual customers' deposits and providing consumer type loans, overdrafts, credit cards facilities, funds transfer facilities, and other banking services;

Small and medium enterprises (SMEs): Principally handling deposits, providing services related to credit facilities, and other banking services to the small and medium enterprises.

Corporate banking: Principally handling loans, other credit facilities, deposit, current accounts, and other banking services to corporate and institutional customers;

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

The following are information on the Bank's segments distrusted according to activities:

	Consumer	SMEs	Corporate	Treasury	Others	Total 2016	Total 2015
	JD	JD	JD	JD	JD	JD	JD
Total revenues	11,232,213	8,774,597	10,061,526	26,926,917	7,531,906	64,527,159	57,481,360
Impairment loss on direct credit facilities	(676,657)	(365,097)	393,035	-	-	(648,719)	(1,329,623)
Segmental results	966,897	988,163	2,444,708	26,173,652	(1,935,204)	28,638,216	26,403,265
Unallocated expenses	-	-	-	-	-	(12,078,491)	(11,003,591)
Profit before tax	-	-	-	-	-	16,559,725	15,399,674
Income tax	-	-	-	-	-	(5,651,690)	(5,390,448)
Net profit						10,908,035	10,009,226
Other information							
Total Assets	167,202,371	78,379,443	205,264,580	686,247,188	166,082,033	1,303,175,615	1,210,141,450
Total Liabilities	257,769,298	198,793,337	219,167,950	44,392,864	449,611,353	1,169,734,802	1,082,554,422
Capital expenditure						1,051,561	1,897,249
Depreciation and amortization						1,222,193	1,152,020

Geographical Information

The following table shows the distribution of the Bank's operating income, total assets and capital expenditure by geographical segment:

	Inside Jordan		Outside Jordan		Total	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Total revenues	63,611,209	56,979,097	915,950	502,263	64,527,159	57,481,360
Total assets	1,207,137,731	1,156,451,961	96,037,884	53,689,489	1,303,175,615	1,210,141,450
Capital expenditure	1,051,561	1,897,249	-	-	1,051,561	1,897,249

(39) CAPITAL MANAGEMENT

The Bank aims to manage capital to achieve the following objectives:

- Compliance with the Central Bank of Jordan on capital requirements.
- Bank's ability to continue as going concern.
- Maintaining strong capital to support the growth and development of the Bank.

The capital adequacy is monitored by the Bank's management on monthly basis and also providing the Central Bank with information regarding the capital adequacy quarterly.

As instructed by the Central Bank of Jordan, the minimum capital adequacy ratio is equal to 12%. Banks are classified into 5 categories where the best has a rate to 14% or more.

The Bank manages the capital structure and makes the necessary adjustments in light of changes in working conditions; the Bank has not added any amendments to the goals, policies and procedures related to the structuring of capital during the current year.

Regulator requirements regarding capital adequacy

Bank should comply with the CBJ regulation no. 39/2008 concerning capital adequacy according to Basel II, up to end of June 2016. The CBJ regulation concerning the application of Basel III were issued in October 2016 and banks should comply with the mentioned regulation starting 30 September 2016.

The following table shows the components of capital, value and total risk-weighted assets and capital adequacy ratio that is measured according to the regulations of the Central Bank of Jordan and based on the instructions of Basel III Committee.

	2016
	JD
Primary capital items (Tier 1)	
Paid in capital	100,000,000
Statutory reserve	10,411,064
Voluntary reserve	100,000
Retained earnings	18,814,955
Fair value reserve - net	(53,000)
Less:	
Deferred tax assets	(933,253)
Intangible assets - net	(1,355,256)
Proposed cash dividends	(7,000,000)
Net Primary capital (Tier 1)	119,984,510
Supplementary capital (Tier 2)	
General banking risk reserve	4,167,794
Net Supplementary capital (Tier 2)	4,167,794
Total regulatory capital	**124,152,304**
Total risk weighted assets	549,141,128
Capital adequacy (%)	22.61%
Primary capital (%)	21.85%
Financial leverage (%)	8.25%

The following table shows the calculation of the amount that the Bank considers capital in addition to capital adequacy ratio that is measured according to the regulations of the Central Bank of Jordan on their instructions of Basel II commitment in this regards:

	2015
	JD
Primary capital items	
Paid in capital	100,000,000
Statutory reserve	8,746,028
Voluntary reserve	100,000
Retained earnings	15,354,418
Less:	
Deferred tax assets	(1,328,995)
Past years revaluation reserve	(21,974)
Seized assets for over 4 years	-
Proposed cash dividends	(5,000,000)
Intangible assets	(935,559)
Total Primary capital	116,913,918
Supplementary capital items	
General banking risk reserve	3,385,332
Fair value reserve	563
Total Supplementary capital	3,385,895
Total regulatory capital	120,299,813
Total risk weighted assets	453,102,687
Capital adequacy (%)	26.55%
Primary capital (%)	25.8%

(40) MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

2016	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at central bank	142,927,198	-	142,927,198
Balances at banks and financial institutions	96,822,688	-	96,822,688
Deposits at banks and financial institutions	15,215,196	-	15,215,196
Direct credit facilities, net	116,162,488	452,052,159	568,214,647
Financial assets at fair value through other comprehensive income	478,779	-	478,779
Financial assets at amortized cost	32,453,788	282,035,870	314,489,658
Pledged financial assets	403,000	126,000,000	126,403,000
Financial assets at value through profit or loss	-	-	-
Property and equipment, net	22,346,823	-	22,346,823
Intangible assets, net	1,355,256	-	1,355,256
Deferred tax assets	1,358,687	-	1,358,687
Other assets	13,563,683	-	13,563,683
Total Assets	443,087,586	860,088,029	1,303,175,615
Liabilities			
Banks and financial institution deposits	44,392,864	-	44,392,864
Customers' deposits	999,506,666	1,520,545	1,001,027,211
Margin accounts	85,902,498	2,266,382	88,168,880
Loans and borrowings	8,388,301	8,918,822	17,307,123
Other provisions	73,064	-	73,064
Income tax provision	5,238,192	-	5,235,192
Deferred tax liabilities	264,311	-	264,311
Other liabilities	13,266,157	-	13,266,157
Total Liabilities	1,157,029,053	12,705,749	1,169,734,802
Net	(713,941,467)	847,382,280	133,440,813

2015	Within 1 year	More than 1 year	Total
	JD	JD	JD
Assets			
Cash and balances at central bank	336,311,558	-	336,311,558
Balances at banks and financial institutions	36,230,356	-	36,230,356
Deposits at banks and financial institutions	17,459,133	-	17,459,133
Direct credit facilities, net	115,469,830	316,124,204	431,594,034
Financial assets at fair value through other comprehensive income	250,335	-	250,335
Financial assets at amortized cost	63,981,792	144,304,607	208,286,399
Pledged financial assets	846,000	111,000,000	111,846,000
Financial assets at value through profit or loss	11,398,262	20,453,800	31,852,062
Property and equipment, net	22,944,481	-	22,944,481
Intangible assets, net	935,559	-	935,559
Deferred tax assets	1,328,995	-	1,328,995
Other assets	11,102,538	-	11,102,538
Total Assets	618,258,839	591,882,611	1,210,141,450
Liabilities			
Banks and financial institution deposits	29,055,047	-	29,055,047
Customers' deposits	916,195,163	502,068	916,697,231
Margin accounts	99,257,541	340,828	99,598,369
Loans and borrowings	15,455,509	5,400,000	20,855,509
Other provisions	218,786	-	218,786
Income tax provision	4,299,315	-	4,299,315
Deferred tax liabilities	167,557	-	167,557
Other liabilities	11,662,608	-	11,662,608
Total Liabilities	1,076,311,526	6,242,896	1,082,554,422
Net	(458,052,687)	585,639,715	127,587,028

(41) CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding commitments and contingent liabilities are as follows:

	2016	2015
	JD	JD
Letters of credit	10,506,800	13,264,819
Acceptances	5,816,902	5,596,885
Letter of guarantee:	61,496,562	63,118,676
Payments	5,635,878	6,163,188
Performance	24,238,909	22,230,056
Other	31,621,775	34,725,432
Unutilized facilities	75,932,702	48,200,414
Total	153,752,966	130,180,794

(42) LAWSUITS

Lawsuits raised against the Bank in its ordinary course of business amounted to JD 232,010 as at 31 December 2016 (31 December 2015: JD 294,688). The Bank has provided for those lawsuits an amount of JD 73,064.

The Bank's management and its legal advisor believe that no additional liability is required in excess of the amount provided for.

(43) STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

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

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

Transfers of Investment Property (Amendments to IAS 40)

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

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

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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