



البنك الأردني الكويتي
JORDAN KUWAIT BANK

HEAD OFFICE

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Date: 2/4/2017

To: Jordan Securities Commission
Amman Stock Exchange

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

Attached a copy of the Annual Report of Jordan Kuwait Bank for the fiscal year ended at 31/12/2016, and a copy on CD in PDF format.

Please note that the financial statements disclosed in the Report are subject to the Central Bank's approval.

Best regards,

"Moh'd Yaser" M. Al Asmar
General Manager





البنك
الأردني الكويتي
JORDAN KUWAIT
BANK

" More than just a bank "

ANNUAL REPORT | 2016 |



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Board of Directors

H.E. Mr. Abdel Karim A. Kabariti
Chairman

Mr. Faisal Hamad Al-Ayyar
Vice Chairman

Rep.: United Gulf Bank – Bahrain

Members

Mr. Masaud Mahmoud Jawhar Hayat

Rep.: Al- Futtooh Holding Co. – Kuwait

Mr. Tariq Moh'd Abdul Salam

Rep.: Kuwait Projects Co. (Holding) – Kuwait

Mr. Mohammad Adnan AlMadi

Rep.: Social Security Corporation – Jordan (As of 5/9/2016)

Mr. Farouk Aref Al-Aref

Dr. Yousef Musa Goussous

Rep.: Burgan Bank - Kuwait

Mr. Mansour Ahmad Louzi

Rep.: Strategy Co. for Investments – Jordan

Mr. Bijan Khosrowshahi

Rep.: Odyssey Reinsurance Co. – U.S.A

H.E. Dr. Marwan Jamil Muasher

Independent member (As of 25/4/2016)

Mr. Hani Khalil Hunaidi

Independent member (As of 25/4/2016)

Mr. Majed Fayyad Burjak

Independent member (As of 25/4/2016)

Dr. Safwan Samih Toqan

Independent member (As of 7/12/2016)

(Rep.: Social Security Corporation – Jordan from 1/1/2016- 4/9/2016)

H.E. Mr. Marwan Mahmoud Awad

Independent member (from 25/4/2016 - 25/10/2016)

Mr. Suhail Moh'd Turki

Board Secretary

Auditors

Deloitte & Touche (M.E) - Jordan

Message from the Chairman

To The Shareholders,

I am pleased to present to you, in my name and on behalf of my colleagues, members of the Board of Directors, the annual report on the the Bank's results and achievements, and the consolidated financial statements for the year ending on 31/12/2016.

In 2016, the world economy was exposed to numerous changes and pressures, the most prominent of which was the fluctuation in oil prices until they settled around \$55 per barrel upon the agreement of exporting countries to reduce production; the US Elections results resonate inclinations towards economic protectionism with the fear of destabilizing the existing economic blocs that would undermine the globalization principles which is now facing increased opposition. Brexit heavily impacted the world economy; raising concerns on the future of the European Union and European Common Market. The increase of the USD interest rate during the last month of the year came in response to certain signs of economic recuperation and a step towards ceasing the "Quantitative Easing" (QE) policy which was pursued post the financial crisis for the purpose of invigorating the economy and motivating growth.

Almost a decade has passed since the global financial crisis, yet the global banking and financial system still suffers from the ramifications thereof. In many countries the faltering debts are quite huge; the value of assets is continuously declining and debts for the purposes of consumer spending are rising, thus putting their economies under pressure and hindering growth opportunities.

Overall, the global economy is still vague and subject to predictions awaiting clear direction of the new US Administration and its domestic and foreign policies and their influence over the economy, politics and international trade.

The National Economy in 2016

The year 2016 was tough by all economic measures, where the regional conditions surrounding Jordan have not improved, perhaps deteriorated further. The Syrian and Iraqi Borders remained closed for security reasons, which adversely affected exports and transit trade, while the Syrian refugees issue kept taxing the country's limited resources as only a portion of the foreign assistance and grants committed by the London Donors Conference materialized.

Notwithstanding the aforementioned, the economic status remained generally tenacious and exhibited certain positive signs, perhaps the most significant of which include: a generally stable situation; realization of a positive economic growth albeit at a modest rate of 2%; steadiness of a number of strong fundamentals, such as the exchange rate of the Jordanian Dinar, adequacy of foreign currency reserves, narrowed deficit in the current account of the balance of payments, improvement of

local revenues thus slightly reducing the budget deficit; stability of the total public debt as a ratio of the Gross Domestic Product (GDP) at current prices and last but not least, the existence of a robust and effective financial and banking system.

On the other hand, certain economic indicators recorded significant decline represented in the rising of general debt to around 95% of GDP, slowdown in economic growth, declining profits of the shareholding companies listed in Amman Stock Exchange, declining national exports, the decline in the foreign currency and gold reserves at the Central Bank, the rise in the unemployment rate, the continuous state of economic shrinkage (negative inflation) by the cost of living index, over and above, the decline in tourism revenues and expatriates' remittances, with the share prices at Amman Stock Exchange remaining at a stand-still.

What was instrumental in confronting such strenuous circumstances were the continuous flow of foreign assistance and grants, the international oil prices remaining at a low level, and ultimately the implementation of the economic reform programme overseen by IMF and the Government's commitment to the agreed upon measures with the Fund which satisfy the donors and creditors.

The Bank's Performance in 2016

During 2016, the Bank achieved good results relative to the economic conditions prevailing locally and the security conditions in the region. During the year, our efforts were focused on improving the credit portfolio quality together with realizing an acceptable growth. In order to diversify lending, and reduce concentration in the corporate facilities and large projects, and distribute risk, the Bank continued targeting the retail and small-sized enterprises market where an increase of around 20% in this portfolio was realized compared with last year. We shall continue on such course; extensively monitoring the growth of lending for the local consumer spending, while the ratio of the debt burden remaining within the acceptable limits.

In 2016, the Bank showed notable activity in financing renewable energy projects through providing tailored credit offerings that suit the financing needs of these vital projects.

Regarding the financial results, the Bank's Total Assets amounted to JD 2,740 million at the end of 2016 and the direct credit facilities (net) increased reaching JD 1,447 million, thus realizing a growth of 5.4% over the end of 2015, while customers' deposits amounted to JD 1,703 million at the end of the year.

As a result of the Bank's main activities, total income for 2016 reached JD 120.7 million and profits before tax JD 43.5 million, while the net profit after tax amounted to JD 30 million. The total shareholders' equity increased by 2.4% to reach JD 465.2 million.

Despite that the main source of income, being the net interest and commissions, remained at the same level of 2015, the decline in the profit for the year is due to obvious and specific reasons, namely the size of non-performing assets retained by

the Bank against debts, which are as far as we are concerned, idle and non-productive assets and for which provisions are required. Profits for the year were also affected by the decrease in revenues from the investment portfolio, expenses associated with the increase in the number of branches, staff members and the enhancement of the regulatory departments' staff, in addition to the depreciation of systems, software and hardware required for the management of information technology and to accommodate the rapid updates, specifically in regards to securing and safeguarding various electronic applications and online transactions.

As for the non-performing assets portfolio, we affirm that the management has explored every avenue to deal with it and have achieved relatively acceptable results, but the obstacles associated with the local real estate market have limited the opportunities of realizing the aspired results. Concerning the non-performing loans that affected the Bank's financial position, they require exceptional efforts, patience and flexibility. These non-performing loans are tied to accounts of complex conditions and large companies or projects that we were proud of their dealings with us and which were deemed feasible and solvent at the time the credit facilities were granted. We are confident that most of the provisions for such accounts shall be redeemed sooner or later. Good results were realized through our efforts in following-up and addressing a number of weak accounts. Our concern is to safeguard the Bank's interests, and alongside, support the borrowers to continue with their business and meet their obligations whenever possible.

The Bank's performance and results place it within the well capitalized banks with high financial soundness as per Basel III accords where the capital adequacy ratio reached 19% and the Leverage Ratio 16.89% compared with 14% and 6% respectively as per the instructions of the Central Bank of Jordan. This high level of the capital adequacy ratio assists in meeting Basel regulatory requirements such as, the Internal Capital Adequacy Assessment Process (ICAAP), successfully passing stress testing and deeming the Bank within Domestic Systemically Important Banks (D-SIBs). It also assists in meeting the requirements of IFRS 9 which shall be put in force at the beginning of 2018, hence, sustaining the level of annual cash dividends and supporting the Bank's business opportunities.

Based on the Bank's financial results, the Board of Directors recommends to the General Assembly the distribution of JD 20 million as cash dividends to the shareholders which is equivalent to 20% of the Bank's capital.

2017 Prospects

The current regional situation is the worst that the region has witnessed by far, affecting strongly on the local conditions in general and the economy in particular. It is true that there is a precise diagnosis of the economic issues, but the solutions were insufficient to activate and gauge the growth drivers, namely: government expenditure, consumer spending and investment. The volume of government expenditure is quite limited and is financed by foreign assistance and loans, while consumer spending as a growth driver depends on the average income which, accompanied by an unprecedented high rate of un-employment, are insufficient to

stimulate the economy. All of which, have created a state of uncertainty which discourages investments; the national and foreign investment is declining, industrial production due to unrestrained imports has decreased, and no public shareholding company has been incorporated since 2008.

The emergence of extraordinary developments which would improve the general situation in 2017 is unforeseen, however, there are areas for improvement; most likely the average economic growth will slightly rise to about 2.5%; the deficit in the current account of the balance of payments will remain at less than 10% of GDP; the negative inflation by the cost of living index shall turn to a positive inflation of around 3%; as well as a growth in the national exports particularly in the mining industry.

As we look forward to the year 2017, we are optimistic of the fiscal reform measures adopted by the Government to prevent the country from reaching a dead end and fall into an impasse that would be difficult to overcome without suffering damages and consequences that transcend the effect of the adopted measures. While we acknowledge the difficulty and weight of the measures on a wide portion of the citizens, we do not underestimate their contribution towards increasing local revenues, assisting in reducing the budget deficit, keeping the Jordanian Dinar rate of exchange at its present level, and maintaining the Central Bank's reserves of foreign currencies.

Furthermore, we laud the Government's commendable directives during 2016 and at the beginning of 2017 which are hoped to have a direct influence on revitalizing the national economy, where a number of initiatives were launched that aim at encouraging investment and reducing un-employment. These initiatives, and in cooperation with the Central Bank of Jordan, include the establishment of companies from banks for to invest in medium-sized enterprises which would support and expand the business of such companies, as well as participate in the Saudi Jordanian Investment Fund Company which aims to invest in major vital projects in the Kingdom. Such initiatives, should they be governed in a manner that secures credibility and efficient management, should set a model to be emulated for other projects that contribute towards encouraging investment, support the economy and growth, and position the public and private sectors partnership on the right track.

As for us at Jordan Kuwait Bank, our concern and efforts, regardless of the conditions, shall focus on maintaining our position, progress and growth. We shall act, as our mandate has always been, to realize the best accomplishments that are commensurate with the name, reputation and history of the Bank.

We have always been successful as a country and as a Bank, yet the circumstances dictate, without compromising our known optimism, that we deal with current conditions and their ramifications, which we hope shall not last for long, wisely and cautiously.

In conclusion, and on the occasion of the end of the current membership term, I am pleased to extend my profound gratitude and praise to my colleagues, the members

of the Board, and appreciate their dedication, cooperation and concern for the Bank's interests. I extend my gratitude to our shareholders and customers for their ongoing confidence and loyalty. Special thanks are due to His Excellency the Governor of the Central Bank of Jordan, his deputies and all the bank's departments for their role in enhancing the integrity and strength of the banking sector and supporting the national economy. I further extend my gratitude to His Excellency the Chairman and members of the Jordan Securities Commission for their efforts towards instilling the transparency principles and protecting investors' interests. Moreover, I extend my utmost appreciation to all officials and employees at the Bank and its subsidiaries and value their efforts and dedication.

Abdel Karim Kabariti
Chairman

The Board of Directors' Statement on Corporate Governance, Risk Management and Compliance for 2016

Corporate Governance Framework

Jordan Kuwait Bank believes that the existence of good corporate governance leads to good management of the Bank, and helps to achieve the Bank's strategic objectives and safely manage its operations in a manner that safeguards the depositors' interests, and ensures the responsibility towards shareholders and other stakeholders, while fully complying with the legislations and instructions of the regulatory authorities and the Bank's internal policies. Accordingly, and based on the amended Corporate Governance instructions for banks No. 63/2016 issued by the Central Bank of Jordan (CBJ), the Corporate Governance Manual was amended, the arrangements and procedures needed to achieve compliance with these instructions were completed, Board of Directors' Committees and their controls were formed, and was approved officially by the Board of Directors.

Jordan Kuwait Bank's Board of Directors affirms its commitment and that of the Bank's executive management and all the employees in implementing the governance instructions. The Bank's adoption of this manual aims to realize the corporate governance principles of fair treatment for all stakeholders; transparency and disclosure of JKB's actual financial and administrative standing; and the relational accountability between the Board of Directors and the executive management, between the Board and shareholders as well as between the Board and various stakeholders. To achieve greater level of disclosure and transparency, the Corporate Governance Manual is annexed to this report and is published on the Bank's website www.jkb.com.

The Bank's organization and administrative procedures are based on the following principles:

- A board of directors is in place that is effective and responsible.
- A clear strategic direction for business development within clear framework for risk management.
- Sound accounting and information disclosure principles.
- Sound decision making mechanisms.
- Performance evaluation linked to the strategy.
- Human resources development.

Board of Directors and Board Committees

Board of Directors (BoD)

The formation of the Board of Directors is governed by the Jordanian Companies Law and the CBJ's Banks Law and Corporate Governance instructions. The current Board of Directors was elected by the General Assembly on April 7, 2013 for tenure of four years. The Board of Directors elected H.E. Mr. Abdel Karim Kabariti as Chairman and Mr. Faisal Hamad Al-Ayyar as Vice-chairman.

The main role of the Board of Directors lies in its responsibility of ensuring the soundness of the Bank's operations including its financial standing, and fulfilling its obligations towards all stakeholders. The Board sets the Bank's strategic objectives that meet the interests of the Bank, shareholders, and customers, and has oversight responsibility over the executive management. It is also accountable for ensuring the effectiveness of internal monitoring and control systems and the extent to which the Bank is abiding by the strategic plans and that written policies covering all of the Bank's activities are endorsed and in place.

The Board of Directors is also responsible for the credibility and accuracy of the Bank's financial reports and the information contained in the Annual Report and ensuring the application of appropriate risks policies as well as compliance with all laws in force.

Board Committees

In the aim of organizing the Board of Directors' work and to increase its efficiency and effectiveness, the Board of Directors forms different committees from its members that are delegated with authorities and responsibilities to be in line with the Bank's strategies and goals. The committees' compositions, duties and responsibilities have been detailed in the Corporate Governance Manual.

1. Board Corporate Governance Committee (BCGC)

The committee oversees the development of the Corporate Governance Manual, updating it, and monitors its implementation. It ensures that the Bank's organizational structure meets the corporate governance requirements. It also adopts general policies, and raises them to the Board of Directors for approval and supervises their implementation and ensures commitment to the adopted JKB Code of Ethics at the level of BoD and all administrative levels in the Bank.

Board Corporate Governance Committee Members

Dr. Marwan J. Muasher, Committee Chair

Mr. Abdel Karim A. Kabariti

Mr. Hani K. Hunaidi

Dr. Safwan S. Toqan

2. Board Risk and Compliance Committee (BRCC)

The committee's role is to review the Risk and Compliance Management's framework and strategy; create suitable work environment that helps in identifying and managing risks with significant impact; and stay abreast with the developments that affect the Bank's operations. The committee reviews reports submitted by the Risk Management and Compliance Departments and submits relevant recommendations to the Board of Directors, illustrating the Bank's commitment to

the acceptable risk appetite level and its compliance with the regulations and instructions issued by relevant regulators.

Board Risk and Compliance Committee Members

Mr. Tariq M. Abdul Salam, Committee Chair

Mr. Mansour A. Louzi

Mr. Mohammad A. AlMadi

Dr. Safwan S. Toqan

3. Board Audit Committee (BAC)

The committee shall review and ratify the internal audit plan which includes audit scope and frequency. Review internal audit reports and the reports and observations of regulatory bodies and the external auditor and ensure that the executive management takes the corrective measures. The committee also reviews the Bank's financial statements prior to submission to the Board of Directors and ensures that the Bank has properly observed and complied with international accounting and audit standards.

Board Audit Committee Members

Mr. Hani K. Hunaidi, Committee Chair

Mr. Mohammad A. AlMadi

Dr. Safwan S. Toqan

4. Board Nominations & Remuneration Committee (BNRC)

The Committee shall identify eligible persons for board membership and determine members' "independency", provide recommendations to the Board for the appointment of qualified executive management members, implement a formal performance assessment policy for the Board of Directors and executive management and ensure that the Bank has a remuneration policy in place.

Board Nominations & Remuneration Committee Members

Dr. Safwan S. Toqan, Committee Chair

Mr. Masaud M. Hayat

Dr. Marwan J. Muasher

Mr. Hani K. Hunaidi

Mr. Majed F. Burjak

5. Board Credit Committee (BCC)

The Committee's Role includes:

1. Grant, modify, renew and restructure of credit facilities that exceed the authorities of the Management Credit Committee, headed by the General Manager, within the limits set by the Board of Directors. The Board of Directors shall take the decisions in matters exceeding the Committee's authorities.
2. The Committee's authority is limited to taking the right decision regarding the

facilities that have been recommended for approval by the Management Credit Committee.

The Board of Directors may delegate to the Management Credit Committee some or all of this Committee's authorities; in respect of modifying the terms or restructuring of facilities.

Board Credit & Management Committee Members

Mr. Abdel Karim A. Kabariti, Committee Chair

Mr. Farouk A. Al-Aref

Dr. Yousef M. Goussous

Mr. Mansour A. Louzi

Mr. Majed F. Burjak

6. Board Management and Investment Committee (BMIC)

The Committee reviews and takes appropriate decisions on:

First: Management issues:

1. Administrative expenses, procurement contracts, bids, supplies, donations, and generally all commitments and contracts in excess of the powers entrusted to the senior executive management as identified within the Authority matrix and powers endorsed by the Board of Directors, and take the managerial and financial decisions in their regard.
2. Approve requests/offers for the sale of Bank owned properties beyond the limits entrusted to the Senior Executive Management as stipulated in the approved Authority matrix.
3. Approve Bank owned real estates' pricing annually or when required.

Second: Investment issues:

Take decisions with regards to proposals and requests submitted by the Management Investment Committee on matters beyond its authority as stipulated in the approved authority matrix annexed to the approved investment policy. This includes the following:

- Bank investments in Jordanian Dinar in money market and capital market instruments.
- The Bank's investments in foreign currencies in money market, capital market tools and currency exchange operations.

The Board of Directors shall decide on any of the items listed above if they exceed the authority of the Committee.

Management and Investment Committee Members

Mr. Abdel Karim A. Kabariti, Committee Chair

Mr. Farouk A. Al-Aref

Dr. Yousef M. Goussous

Mr. Mansour A. Louzi

Mr.Majed F. Burjak

7. Board Information Technology Governance Committee (BITGC)

The Committee is responsible for approving the Information Technology strategic objectives and appropriate organizational structures, including Steering Committees at Executive Management Level, to ensure the achievement of the Bank's strategic objectives, and realizing the best value-added of IT projects and investments resources while utilizing the tools and standards to monitor and ascertain the extent of achievement. The Committee shall oversee and be apprised of the progress of IT operations, resources and projects to ensure its adequacy and its effective contribution in achieving the Bank's business requirements. The Committee was formed on December 7, 2016.

Information Technology Governance Committee Members

Mr. Majed F. Burjak, Committee Chair

Mr. Mansour A. Louzi

Dr. Marwan J. Muasher

Mr. Hani K. Hunaidi

Mr. Mohammad A. AlMadi

Board and Committee Meetings during 2016

The following table shows the number of Board meetings and Board committees' meetings, and the number of meetings attended by each member during the year 2016, noting that Board of Director Members attended the General Assembly of Shareholders that was held on 25/4/2016.

Total number of meetings held during the year 2016	BOD	BCGC	BRCC	BAC	BNRC	BCC	BMIC	Changes to the Board of Directors / Committees' membership during 2016
	6	1	3	6	3	49	1	
Board members	Number of meetings attended							
H.E. Abdel Karim A. Kabariti Chairman	6	1				49	1	Chairman of the Management & Investment Committee, member of Corporate Gov. Committee from 7/12/2016.
Mr. Faisal H. Al Ayyar Vice Chairman	3							
<u>Social Security Corp. REP</u>								
Dr. Safwan S. Toqan	2			3				Member of the Board of Directors and member of the Audit Committee from 1/1/2016 until 4/9/2016, Member of the Corporate Gov. Committee until 25/4/2016.
Mr. Mohammad A. AlMadi	3			2				Member of the Board of Directors and member of the Audit Committee from 5/9/2016, member of the Risk and Compliance Committee from 7/12/2016.
Mr. Masoud Jawhar Hayat.	2				2			
Mr. Tariq M. Abdul Salam	4		2	2	2			Chairman of Audit Committee and member of the Nomination and Remunerations Committee until 25/4/2016.
Mr. Farouk A. Al-Aref	5					49	1	Member of the Management & Investment Committee from 7/12/2016.
Dr. Yousef M. Goussous	6					49	1	Member of the Management & Investment Committee from 7/12/2016.
Mr. Mansour A. Louzi	6	1	3	2	3	49	1	Member of the Audit Committee until 25/4/2016. Member of the Nomination and Remunerations Committee until 7/12/2016. Member of the Management & Investment Committee from 7/12/2016.
Mr. Bijan Khosrowshahi	4		1					Member of the Risk and Compliance Committee until 25/4/2016.
Dr. Marwan J. Muasher	3							Member of the Board of Directors (independent), Member of the Corporate Gov. Committee from 25/4/2016 and its Chairman as of 7/12/2016. Member of the Nomination and Remunerations Committee from 7/12/2016.
Mr. Marwan M. Awad	1							Member of the Board of Directors (independent) from 25/4 until 25/10/2016.
Mr. Hani K. Hunaidi	4		1	4	1			Member of the Board of Directors (independent), Chairman of the Audit Committee and Member of the Nomination and Remunerations Committee from 25/4/2016. Member of the Corporate Gov. Committee from 7/12/2016.
Mr. Majed F. Burjak	5		2	3		3	1	Member of the Board of Directors (independent), Member of the Audit Committee from 25/4/2016. Member of the Audit Committee from 25/4 to 7/12/2016. Member of the Nomination and Remunerations Committee, Member of the Credit Committee, Member of the Management and Investment Committee from 7/12/2016.
Dr. Safwan S. Toqan	2			1				Member of the Board of Directors (independent), Member of the Audit Committee, Member of the Risk and Compliance Committee, Chairman of the Nomination and Remunerations Committee Member of the Corporate Gov. Committee from 7/12/2016.

Board Members' Remuneration

Every Board member receives the sum of JD5,000 (USD7,052) per year as Board membership allowance, in addition to allowances in lieu of travel, transportation and Board committees' membership.

Remuneration and Rewards Policy

JKB has a comprehensive remuneration and rewards policy that closely integrates with the approved performance evaluation policies. Staff annual raises and rewards are based on achievement which meets the Bank's interests and its sustainable progress in all areas. The policy also assures the independence of control units in such a way that staff salaries and rewards are not determined by the Bank's profit levels.

The remuneration and rewards policy sets the basis for annual salary raises, effect of promotion on salary, types and conditions of allowances paid to employees, and the structure of the salary scale and its review process, for the purposes of maintaining a competitive and fair work environment.

The salaries, transportation allowance and other expenses paid to the Bank's executives during the year 2016 were declared in the disclosure statement as required by article (4) of the disclosure regulations issued by the Jordan Securities Commission, and in the notes to the consolidated financial statements included in this report.

Control Environment

Internal Controls

JKB's Board of Directors and executive management are responsible for developing and maintaining the existence of internal control systems and procedures that are capable of ensuring the achievement of the following:

- Accuracy and integrity of financial and operational statements issued by the Bank.
- Effectiveness and efficiency of the Bank's operational activities.
- Effectiveness of measures and procedures set to safeguard the Bank's assets and properties.
- Compatibility with policies pertinent to internal operational procedures as well as laws, legislations and regulations in force.

The Bank believes in the importance of an effective internal monitoring and control system given that it is one of the key elements of sound management and the basis for safeguarding the safety and quality of the Bank's transactions. Hence the Bank has adopted a number of internal monitoring and control systems which their development, implementation, follow-up and update are the responsibility of the executive management. JKB's management continuously monitors and assesses the

efficiency and effectiveness of these systems and their ability to achieve desired objectives. It also oversees their continuous development and enhancement.

In this context, the Board of Directors adopted an internal monitoring and control policy that covered all aspects pertinent to internal control systems in terms of definition, components, implementation and the responsibility of the Board of Directors and the Executive Management towards them.

Internal Audit

The philosophy of Internal Audit (IA) was based on its task to provide independent and objective assurance and consulting services to the Bank. IA objectives were designed to add value and improve the Bank's operations and help the management to accomplish its objectives by applying a systematic and disciplined approach to assess and improve the effectiveness of risk management, internal controls, and governance.

The Internal Audit Department is administratively subordinated to the Board Audit Committee (BAC). It reports to the BAC on the results of audit engagements.

The Internal Audit Charter was established according to best international standards for the professional practice of internal auditing and it defined the following:

- IA activity is independent and has no executive tasks.
- IA activity has direct authorized / unrestricted access to the Bank's and subsidiaries' records, personnel and physical properties relevant to the performance of engagements assigned to it.
- IA activity shall be provided with appropriate and sufficient number of competent resources (academically & professionally qualified staff) in addition to training courses both locally and abroad.
- IA activity provides reasonable assurance regarding the efficiency and effectiveness of the Bank's Internal Control Systems (ICS) and its ability to achieve the following objectives:
 - Reliability and integrity of financial and operational information.
 - Efficiency of operations.
 - Compliance with laws and regulations in force.
 - Safeguarding of the Bank's assets and properties.
 - Business continuity under all circumstances.
 - Improve and develop ICS, risk management, and governance processes.
 - Improve and develop operations (processes) and products to achieve the Bank's objectives.

A code of business conduct for Internal Audit staff members was prepared according to best international practice. The code emphasizes the principles of integrity, objectivity, confidentiality and efficiency that an auditor must have.

The scope of IA activity covers all the Bank's auditable business centers, activities and operations, including branches abroad and subsidiaries, and any outsourced activities if necessary, in a way that enables the management to assess the adequacy

and effectiveness of ICS, risk management and governance processes, and achieve all engagements and responsibilities assigned to it. The IA also performs many other tasks the most significant of which are:

- Conduct accepted periodical engagements (assurance reviews) as per approved risk based audit plan prioritization on the approved internal audit strategic plan by BAC.
- Conduct any special review or consulting engagements based on the directives of the Chairman, BAC, the executive management or the monitoring bodies, according to best international standards for the professional practice of internal auditing.

The quality assurance concept was introduced to provide all stakeholders with reasonable assurance about audit function in term of conformance with the common international standards at both local and international levels.

Risk Management Function

Various risks to which the Bank is exposed are managed by an independent risk management department that reports directly to the Head of Risk Management and Compliance Group, and presents its periodic reports to the Board's Risk and Compliance Committee.

The Risk Management Function at the Bank is based on three main pillars as follows:

- Full understanding and awareness by the Board of Directors, top executive management, and the Bank employees of the types of potential risks in the Bank's operations.
- Availability of appropriate strategy, policies, and procedures to manage risk, which reveal the magnitude of risk that the Bank can address, in a manner that ensures financial strength.
- Availability of systems that help in managing various forms of risk that the Bank may face.

The Risk Management Department's objectives are as follows:

- Achieve financial strength, which reflects positively on the Bank's credit rating.
- Transparently highlight risks and ensure their clarity and understanding.
- Set recommendations to identify the size and type of acceptable main risks by the Board of Directors, assuring that current risks are compatible with those that have been planned for.
- The Bank's compatibility with the Basel accords and all legislations that govern and regulate risk management in banks.

The process of identifying, evaluating, and managing risks is considered a joint responsibility, starting with each of the Bank's units which are considered the first line of defense. The Risk Management Department evaluates and monitors risks and recommends ways of mitigating them, submitting the necessary reports to the Board

Risk and Compliance Committee whereby it is considered the second line of defense, followed by the role of internal audit which is considered the third line of defense.

In turn, the Risk Management Department is responsible for its abovementioned role within a documented organizational structure approved by the Board Risk and Compliance Committee regarding credit, market, and operational risk, information security, business continuity, and liquidity (within the assets and liabilities framework) and conformity to the Basel accords. Furthermore, the Risk Management Department is represented in different committees that manage the Bank's operations for issues related to the risk management.

The functions of the Risk Management Department are summarized as follows:

- Review the risk management framework at the Bank prior to Board approval.
- Implement the risk management strategy in addition to developing policies and procedures for managing all types of risk.
- Develop methodologies to identify, measure, and control all types of risks.
- Submit reports to the Board through the Risk Management and Compliance Committee, with a copy to the top management, including information about the actual risk profile for all the Bank's activities, compared to the risk appetite document, and follow up on addressing deviations.
- Verify the integration of risk measurement mechanisms with management information systems in use.
- Study and analyze all types of risk faced by the Bank.
- Submit recommendations to the Board Risk Management and Compliance Committee about the Bank's exposure to risk, recording exceptional cases against the risk management policy.
- Provide the necessary information regarding the Bank's risks for disclosure purposes.
- The Risk Management Department conducts awareness programs to the Bank employees about risk management concept.
- Assess the Bank's capital adequacy, along with the Bank's risks and stress testing, as part of the internal capital adequacy assessment process, and submitting it to the Board Risk and Compliance Committee, to be approved by the Board of Directors.

Compliance Control Function

The Bank may be subject to legal sanctions or material losses or reputational risk due to non-compliance with all applicable laws and regulations, instructions and code of conduct, standards and sound banking practices issued by local and international regulatory authorities.

The Bank acknowledges the importance of compliance control, hence adopted the following:

1. BoD approved compliance policy to monitor the Bank's compliance with the laws, regulations, and instructions issued by the regulatory authorities, best practices and industry standards through programs and procedures based on the risk based approach principle.
2. The Board of Directors takes the necessary measures to enhance the values of integrity and sound professional conduct within the Bank in a manner that complies with the applied laws, regulations, instructions and standards, and constitutes a primary goal to be achieved.
3. Compliance function is managed through an independent department, which submits periodical reports to the Board Risk and Compliance Committee. The Compliance Department's scope of work covers all of the Bank's departments and branches in Jordan and abroad as well as its subsidiaries.
4. Monitoring non-compliance risks through a database containing all the laws and regulations issued by domestic and international regulatory authorities that is updated with the latest regulatory and legislative developments.

With regards to combating money laundering operations and financing terrorism, the Bank follows approved policies and procedures that comply with the instructions issued by the regulatory authorities and the best international practices in this regard so as to reduce the risks of such operations through identifying procedures for dealing with financial operations, taking due diligence in Knowing the customers, making sure of their personal identification, legal status and the beneficiary of such transactions through adopting the following principles:

- Update the Anti Money Laundering policy to keep up with the latest regulatory and legislative developments.
- Adopt the risk based rating approach to classify the clients.
- Use an automated system to combat money laundering and financing terrorism.
- Participate in providing adequate training for the Bank's employees enabling them to deal with any suspicious transactions.

Code of Conduct

The Bank adopted a code of conduct that was endorsed by the Board of Directors. JKB employees across the various administrative levels as well as the Board of Directors have pledged to commit to it.

The Code defined the ethics, values and principles of the Bank employees in four main areas which are: integrity, compliance with laws, transparency and loyalty to the Bank.

Whistle Blowing Policy

JKB maintains a policy and procedures pertinent to whistle blowing. The policy aims to promote a culture of openness and to demonstrate the shared responsibility of preserving work ethics. Procedures that deal with this policy were distributed among all Bank employees to follow. The procedures clarify accountability lines for reporting issues related to unusual and/or suspected behavior that must be

reported. Monitoring of Whistle Blowing Policy Implementation is carried out by the Board Risk and Compliance Committee.

Customer Complaints Processing Unit

In compliance with the Central Bank of Jordan's instructions to deal with customers fairly and transparently, the Customer Complaints Processing Unit within the Compliance Department receives and deals directly with customer complaints submitted through all available channels, including telephone calls, email messages, traditional mail, and complaints boxes at the branches. All complaints received are addressed and responded to in writing. Instructions are also sent to employees regarding these complaints, clarifying work procedures to some staff members wherever required. The Customer Complaints Processing Unit submits periodical reports to the Bank's top management, including a description of complaints received and how they were handled and solved. The unit also submits periodical reports to CBJ.

Relation with Shareholders

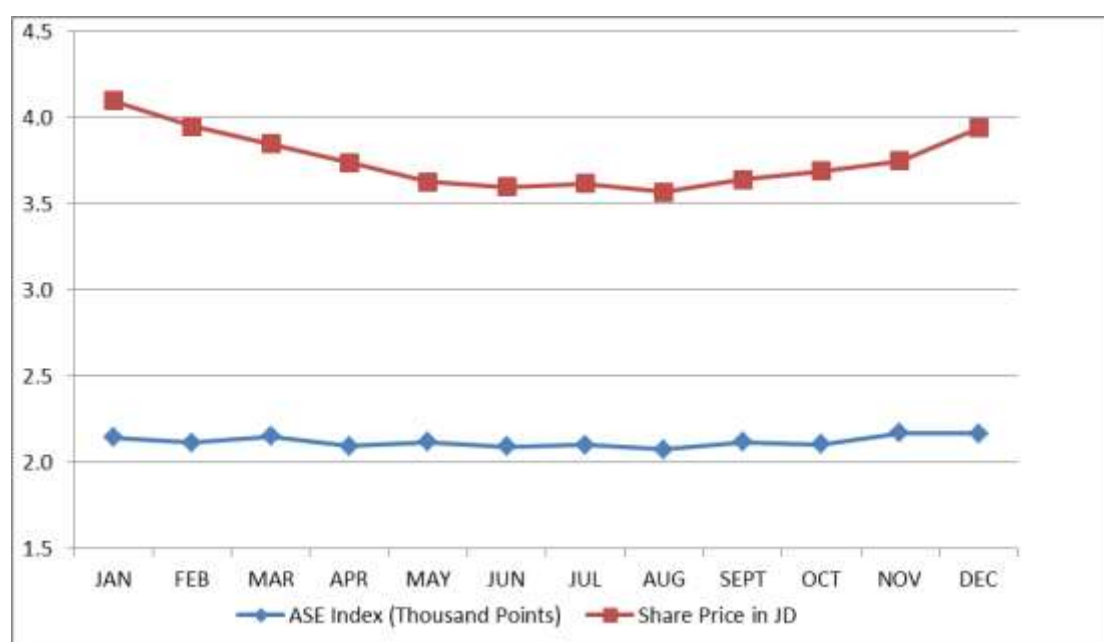
The Bank develops positive relations, based on transparency, with all its shareholders. In this regard, the Bank spares no effort to encourage all shareholders, particularly minority shareholders, to attend the General Assembly meetings and cast their votes. The Bank has a wide shareholder base of 13,682 as of 31/12/2016. The main source of information for shareholders is the Annual Report which includes the Chairman's report, the audited consolidated financial statements, the corporate governance manual, and Bank's achievements for the previous year and the business plan for the following year. Additionally, the reviewed (un-audited) quarterly and semi-annual financial statements are disclosed.

The complete financial statements and the Board of Directors' report are filed at the Jordan Securities Commission (JSC) and the Amman Stock Exchange, with a copy submitted to the Companies Controller. These reports are published on JKB's website (www.jkb.com) which also provides extensive information about JKB services, products, news and press releases. The Bank is committed to disclose any material information, should it occur, in accordance with the JSC instructions.

Shares / Ownership Classification as of 31/12/2016

Number of Shares Held	Shareholders		Shares	
	No.	%	No.	%
Up to 500	10,513	76,84	2,026,022	2,026
501 – 1,000	1,672	12,22	1,182,366	1,182
1,001 – 5,000	1,108	8,10	2,264,247	2,264
5,001 – 10,000	169	1,24	1,244,287	1,244
10,001- 100,000	188	1,37	5,432,157	5,432
100,001 - 500,000	24	0,18	5,397,737	5,398
500,001and more	8	0,06	82,453,184	82,453
Total	13,682	100	100,000,000	100

Changes in JKB Share Price (JD) vs ASE Index During 2016



JKB Activities and Achievements in 2016

Following is a brief about the achievements of the Bank's departments in 2016:

The Banking Group

Corporate Credit Facilities

During 2016, the Credit Facilities achieved good results, where the required growth was realized in the direct net credit facilities; rising by 5.4% to reach JD 1,446 million at the end of 2016 compared with JD 1,372 million in 2015. The Bank continued with supporting the growth of economic sectors and its corporate customers operating in the productive sectors despite the pressures of the surrounding regional conditions that the majority of activities are exposed to. The Credit Facilities took advantage of all opportunities and initiatives which would maintain the Bank's market share within the acceptable risk level.

The Board of Directors and the Executive Management continuously review and update the strategic plan of the credit facilities to make it more flexible in order to be abreast of global developments and the conditions in the region that would assure improving the Bank's competitive edge and be effectively involved in stimulating the national economy through focusing on the essential sectors and activities that support growth. As one of the significant examples, the Bank participated in financing the renewable energy sector, making Jordan Kuwait Bank the leader in investment in this sector by modifying the credit conditions to suit the financing needs of such vital projects at par with development-focused international banks.

The medium-sized enterprises sector had a good portion of financing in 2016, where reasonable growth rates were realized along with the continuous development of the suitable marketing programs to attract new customers and raise the Bank's share in this sector, particularly in light of signing cooperation agreements with international institutions to collateralize the risks associated with such loans in Jordan and Palestine.

In terms of indirect credit facilities, the Bank maintained good ratios of revenues therefrom; where the issuance and financing of letters of credit and bills for collection constituted a major part together with maintaining the Bank's share in the banking guarantees activity.

During 2016, the Bank was able to maintain the stability of the income realized from interests and commissions and worked towards balancing the debit and credit interests in a manner that maintains the required operational income despite the fierce competition in the local market. On the other hand, the Bank continued with allocating the required provisions to hedge against any circumstances that might face customers or any adverse indication that might be manifested in any accounts. Such allocations are in favor of shareholders once the conditions improve and the

activity increases in the global and local markets, the signs of which have recently appeared represented in changes in the global money markets and the markets operating in the region, the drop in oil prices and higher interest rates globally with forecasts for more hikes during 2017.

As for non-performing loans, the Bank's Management works diligently to address such loans and enhance the collection process, whereby the ratio of non-performing loans shall remain within the internationally acceptable levels.

In light of the challenges prevailing in the region, the Bank strives to realize more growth in various activities, provide support to its customers and pay keen attention to their interest; which is the fundamental principle for the Bank's success and distinction.

Retail and Consumer Products

Retail and Consumer Products continued to record positive results where it realized a growth rate of 19% covering all products during 2016. Despite such a growth, the rate of overdue payments and NPLs remained within the minimum levels.

The Management of the Retail and Consumer Products developed new products and financing solutions for small-sized enterprises; increased the loans covered under the Jordan Loan Guarantee Corporation and the Overseas Private Investment Corporation (OPIC) and utilized the facilities and benefits provided by the Central Bank of Jordan for this segment.

During 2016, a product to finance the purchase of properties in Cyprus was launched. The product particularly targets high net worth customers and investors through the Bank's Branch in Cyprus in coordination with the Private Banking Unit.

With regards to the Private Banking Unit, it realized its objectives within the strategic plan in place, represented in maintaining the growth rates in various sectors, where all types of the investment portfolios grew by 15% and the portfolios' management income grew by 12%, in addition to expanding the Unit's customer base. The Unit continued with its ongoing work and coordination with a number of global financial institutions to provide comprehensive economic studies and analyses that assist in setting-up various investment solutions with good returns and acceptable risks.

In order to expand the Bank's business in the field of cards and payment services, the Bank continued during 2016 with implementing its strategy of developing and improving the cards products. The credit and debit cards were restructured and new products were launched including the World MasterCard Credit Card and the Titanium MasterCard Credit and Debit Cards and enhancing each category with commensurate benefits and features. Consequently, the Bank's cards portfolio recorded a growth exceeding 50%.

In the area of improving the customer's experience and e-services offered, 11 new ATMs were installed during the year and the smart cash deposit service was activated on all the operating ATMs, together with operating the Digital Signage System at a number of Branches. Furthermore, the business and services of the Contact Center have been expanded.

At the level of the Branches administration, during 2016 the Department increased the branches' geographical distribution in realization of the Bank's strategy that aims at providing banking services to the majority of the community's segments. Seven new branches were opened in 2016 namely: Abdali Mall Branch, Tabarbour Branch, Northern Hashimi Branch, Zahran Branch and the Mobile Branch "Jawal", which came as a quantum leap in providing all banking services to the public wherever they are located, with focus on areas where the Bank has no bricks and mortar branches. The Bank also opened its Bethlehem Branch and Jenin Branch in Palestine; with that the number of the Bank's operating branches in Palestine reached 4 branches. Moreover, 2016 witnessed relocating several branches to better locations namely, Petra University Branch, Al-Mougablain Branch, Yarmouk University Branch, Irbid Branch and Wadi Saqra Branch.

Furthermore, the Bancassurance Unit at the Bank increased the number of licensed staff members to undertake general insurance and life insurance activities and provide the best quality and efficient services to existing and potential customers. Currently, there are 172 licensed employees at both the Head Office and Branches and all bancassurance activities recorded a growth of 176% over 2015.

In the area of "Western Union" Transfers, the Unit achieved a growth rate of 20% in the number of transfers performed and commissions earned therefrom during the past year, despite the decline of Western Union transfers witnessed in the MENA Region. Additionally, improvements were introduced to the system to provide better service and higher efficiency to increase protection and eliminate withholding of transfers, as well as introducing new services such as D2B, a service for crediting outbound transfers directly to the customers' accounts abroad in certain countries.

Treasury, Investment and International Relations

During 2016, the Treasury, Investment and International Relations Department continued to maintain and attain outstanding achievements thanks to the guidance of specialized administrative committees and its well knowledgeable and experienced staff members. The department was able to record high growth rates in all areas despite the weakness of the general economic activity, the high risk level associated with the local and foreign investment activities, as well as the fierce competition amongst local banks.

During 2016, the Department was able to achieve good results in managing assets and liabilities, whereby it pursued various and balanced investment policies that greatly contributed in the gained profits through enhancing the type and quality of the assets and the returns associated therewith. Furthermore, such policies which are consistent with the directives of the Assets and Liabilities Committee (ALCO) in

addition to the Bank's strategy, contributed towards diversifying the sources of funds in local and foreign currencies to be consistent with the assets' type, in addition to reducing the associated risk, such as market risks, credit risks, and operational risks and maintaining adequate liquidity ratio to protect, safeguard, and face any circumstances or future developments.

2016 witnessed a variation in interest rates on major foreign currencies; the US Dollar interest rate remained at its lowest levels and started to rise during the 4th Quarter of the Year. While other foreign currencies, such as the Euro, Swiss Franc, and Japanese Yen maintained their negative interest rates. As for the Jordanian Dinar, the interest rate remained stable at its lowest levels until the Central Bank of Jordan followed in the path of the US Federal Reserve by raising it by 25bps in the 4th quarter of the year. Despite the instability of interest rates locally and globally, the Treasury, Investment and International Relations Department managed its money market portfolio with distinction through diversifying the sources of fund both locally and internationally.

The Department also managed the Bank's local and foreign bonds portfolio efficiently; achieving high growth ratios and significant revenues notwithstanding the declining interest rates locally and internationally and the lower credit ratings of many countries and financial institutions. The Bank's portfolio quality was the primary focus, whereby selecting bonds with good returns, acceptable risks, and high liquidity. Moreover, the Bank had a significant role in supporting and developing the local capital market instruments during 2016 through active participation in the government's and local companies' bond issuance.

In 2016, the Department recorded growth in commissions from the FX differences, despite currencies fluctuations and the market competition in that regard. The Department took advantage of its relationship with correspondent banks in addition to the use of techniques to close FX positions at competitive rates for customers.

The Department also continued during the year in managing the local and foreign securities portfolio successfully; realizing considerable revenues whether through dividends or share prices revaluations. The Department further continued with providing various investment and advisory services to its customers of public and private shareholding companies, such as investment trustee services for joint local investment funds, payment and registration agency service, trustee and financial advisory services which contributed towards maximizing the Department's revenue from commissions and fees related to such services.

Furthermore, the Department continued with consolidating and sustaining business relations with the correspondent banks network through visits and meetings with their officials and that aimed to explore mutual cooperation and attract their business activities directed to Jordan. The Department kept on providing its support services to the Bank's departments and branches to ensure smooth processing of letter of credit, guarantees, out-going and in-coming collection bills, in addition to maximizing the profit sharing with the correspondent banks by appropriately directing banking transfers. Such efforts contributed towards enhancing the Bank's revenues and improving the quality of the service provided to customers. The Department participated in specialized international conferences attended by many foreign and Arab banks, thus enhancing the cooperation among them.

Risk Management and Compliance Group

The Risk Management and Compliance Group's Departments perform the duties assigned to them within the assigned work plans and procedures as follows:

Risk Management Department

The Risk Management Department carries out its functions within the framework of the Risk Management Strategy emanating from the Bank's general strategy which is approved by the Board of Directors and the work plans in place in a manner that is compatible with the instructions issued by the local regulatory authorities and the authorities governing the Bank's branches abroad, the Basel accords, and the best international practices in risk management. The Department's most significant accomplishments include:

Information Security and Business Continuity

The Bank concluded the implementation of the requirements of the PCI DSS version 3 and thereof obtained the compliance certification. This came as a result of the extensive efforts of the Risk Management, Information Technology and Cards Operations Departments, where the Risk Management Department managed and monitored the implementation of the project to comply with security standards for safeguarding the Bank's Cardholders' Data in line with the Central Bank of Jordan's instructions pertaining to fairness and transparency. The Department also completed the requirements to be in compliance with the new version of the standard in the year 2017.

In line with the on-going developments in the Bank's business and the new products and systems associated therewith, the Department carried out a number of risk assessment operations for the new and old products and systems and followed-up on the implementation of its recommendations in this regard. The Department also examined the vulnerabilities and carried out internal and external penetration tests and followed-up on the rectification of gaps that appeared during which. The Department also re-assessed the needs of all departments to use the information systems resources and set-up clear procedures for their use at the Bank.

Within managing business continuity, the Department assessed the Bank's risks and reviewed the Business Impact Analysis and accordingly modified the Bank's Business Continuity Plan and sub-plans for the departments. Moreover, an evacuation drill of the Bank's Head Quarters was carried out as well as a number of tests for business continuity at the Bank to ascertain their effectiveness.

The Department monitors instructions issued by the Central Bank of Jordan as well as the international institutions that relate to information security, and participates in various committees at the level of the Association of Banks in Jordan.

Operational Risk

Within the framework of managing the Bank's operational risks, through identification, assessment, control and any attempt to mitigate such risks using the Care Web System, the Department continued to hold new workshops with the organizational centers in the Bank in order to carry out control and risk self-assessment of the potential risks in their operations and the measures required to control them. During the workshops the Key Risk Indicators are improved and monitored. It further reinforces the historical database of losses and submits recommendations required to avoid recurrence of such incidents.

Within the duties required from the Bank's Authorities Review Committee, the Department participated in developing and reviewing the Authorities Manual at the level of all organizational centers on the new banking system and other systems in order to ascertain that it has a clear segregation of functions, responsibilities and authorities. The Department participates in many committees which are concerned with improving the control environment at the Bank and gives its opinion with regards to the policies, procedures, forms and new products presented to it and clarifies any potential risks therein and the adequacy of the controls in their regard.

Market Risks

Within the framework of identifying, measuring and controlling market risks at the Bank, the Department's periodic control and analysis reports are prepared daily, monthly and quarterly, including various required disclosures together with improvements thereon, and adding new control reports through which the limits contained within various policies are controlled and which are reviewed and modified every year to be consistent with the developments in the global and regional financial markets as well as the surrounding political and economic conditions. These policies are: Investment Policy, Assets and Liabilities Management Policy, Liquidity Risk Management, Liquidity Contingency Plan, Interest Rates Risk Management Policy and Market Risks Policy, in addition to preparing routine reports required by the Bank's parent company, KIPCO.

The Department considered the requests and investment opportunities in which the Bank intends to employ its funds before making the decision. Furthermore, it carried out a number of other studies whether concerning new Basel accords on market risks or any other control instructions.

Basel

The Department complied with the instructions of the Central Bank of Jordan in respect of Basel III accords in terms of calculating the capital adequacy ratio and supervised the compliance with Basel II accords for the Bank's branches operating in Palestine. It also continued calculating the liquidity coverage ratio, and hence being ready for any instructions that might be issued by the Central Bank of Jordan in that regard. It has prepared various studies such as, the new instructions of the Central

Bank of Jordan on stress tests, Basel III Instructions and continued preparing many financial analyses including comparative studies for the banking sector.

The Department reviewed the policies in place and made continuous improvements on the Department's operations including: risk appetite policy, stress tests policy and the Internal Capital Adequacy Assessment Policy (ICAAP) and introduced the necessary amendments. As part of satisfying the requirements of the second pillar of Basel II accords, the Department performed the internal capital adequacy assessment as well as the stress tests according to the instructions of the regulatory authorities in Jordan and Palestine and prepared the Recovery Plan as per the instructions of the Central Bank of Cyprus. The Department calculates the capital adequacy ratios as per the requirements of the Central Bank of Jordan and makes the necessary analyses and estimates in their regard.

Credit Risks

In accordance with the Bank's credit policy and in compliance with various Basel accords, and specifically in the granting credit process, the Department acts as an independent entity that studies and reviews the credit applications. The Bank continued, and with the cooperation of the Risk Management Department and the Credit Facilities Departments, to implement the internal credit rating system (Moody's) to cover a significant portion of the Bank's credit portfolio. Furthermore, the Department and in coordination with the Retail Credit Department, developed and completed the Retail Score Cards system in line with Bank's strategy to expand in the retail sector and strengthen the Risk Management in it.

The Department supervised the Bank's compliance with the necessary technical and information requirements to launch the Credit Bureau through CRIF Jordan; provide them with the required data on the Bank's customers on a monthly basis and facilitate the inquiries from the Bank's various departments on credit applicants.

The Department, alongside a specialized task force from different departments at the Bank, set up a plan to comply with the International Financial Reporting Standard (IFRS 9) requirements and to study the quantitative impact of implementing such Standard in cooperation with an expert house, Moody's. The Department also worked with a specialized task force in implementing the Profitability and Cost Accounting System.

Furthermore, the Department continued with preparing the control and analytical reports on the Bank's credit portfolio and improving on them, whether for the purpose of using it within the Bank or to be sent to the parent company, KIPCO.

Credit Administration and Control

In compliance with Basel Committee's accords, which assert the need to segregate the process of credit control and its execution from selling and marketing credit, the Department calculates provisions for facilities to confront any decrease in their value together with preparing reports on the credit concentrations and their control. The

Department also performs credit management and documentation duties. In addition to that, work was undertaken during the year on a number of projects that aim at improving the services provided and support the control environment through issuing a number of necessary control reports.

The Department concluded reviewing and auditing the customers' collateral on the system; reviewing and adjusting the banking risks data related to the Bank's customers and the implementation of new forms.

Credit Follow-up and Adjustment Department

Since the beginning of 2016, the Department's functions and duties were modified to be consistent with the instructions of the Central Bank of Jordan. It undertook the functions of following up on and adjusting non-performing loans in excess of 89 days instead of 45 days. As a result of extensive follow-up and negotiations with debtors and guarantors, the Department succeeded in re-scheduling non-performing loans outside of the court whereby high recovery ratios were realized in cash collections amounting to JD 6.8 million. It also removed non-performing loans or those that have been fully settled from the accounts which fall within the Department's duties and which amounted to approximately JD 5.8 million.

Compliance Control Department

The Compliance Control Department's role is the provision of support and advice to the Branches pertaining to customers' due diligence through providing its opinion on the extent of adequacy of the supporting documents and conducting the necessary inquiries about customers through the international lists to ensure non-dealing with customers who are on the prohibition lists. The Department applies the due diligence procedures through monitoring high risk accounts and irregular operations by conducting studies on the status of such accounts and documenting the transactions thereof in full coordination with the concerned Branches.

In order to enhance the Department's capabilities and enable it to perform its functions properly, a new system, SIRON AML, for monitoring money laundering operations was purchased. SIRON AML is one of the best systems available for such purpose due to its capabilities; being easily operated in addition to the comprehensiveness of the information resources that it deals with in terms of analyzing the customers' status; their financial transactions; online interface with other systems; reliance on a decentralized approach in controlling banking operations; and joint follow-up between the Compliance Control Department and business centers.

The Compliance Control Department has a fundamental role in spreading awareness within the Bank's Departments and its Subsidiaries in respect to the importance of compliance with the regulations; combating money laundering operations and enhancing cooperation with such centers to ensure collaboration while performing the relevant operations. The Department held training courses and seminars for the

managers and employees of all centers of the Bank to re-affirm the importance of such matters.

During the year, the Customer Complaints Processing Unit received 75 complaints related to various issues: (4 on e-services, 4 on interest rates, commissions and fees, 33 on professional conduct, 3 on credit cards and transfers and 31 on contracts terms and conditions). All lodged complaints were dealt with and responded to within the determined period, noting that 51 of the complaints received were found non-legitimate and resulting from the customers' lack of knowledge on the procedures and instructions related to the subject of the complaint or due to the absence of actual violations by the Bank. Certain business procedures were explained and clarified to the employees and were instructed to abide by the approved business code of conduct.

Internal Audit

The Internal Audit Department performed the annual audit plan that was approved and adopted by the Board of Directors' Audit Committee (BAC).

The Department seeks to perform the duties assigned to it through its risk-based audit plan to achieve its objectives represented in ensuring the efficiency and effectiveness of risk management; the internal control system and corporate governance and to provide reasonable assurance on achieving the Bank's objectives stated within the approved strategy.

Moreover, the Department seeks to provide various advisory services to the different business centers without compromising the Department's business independence. Within this framework, the Department visited most of the Bank's business centers (departments, branches in Jordan and abroad, subsidiaries in addition to certain activities that were audited for the first time); and provided the Board Audit Committee with the results of such visits, in addition to following-up on the issues raised within the regulatory authorities and external and internal audit reports, as well as conducting several ad hoc tasks.

Over and above the routine visits to Branches, surprise visits to all the Branches were carried out during this year. Moreover, the Department continued with reviewing many aspects of the Bank's business, regularly providing the Management with reports related to the most significant activities and subjecting them to review and audit.

The Department continuously provides the necessary advisory services to the business centers, particularly relating to policies and operating procedures related to the internal control systems and governance, as well as workshops and committees. In 2016, the Department continued coordination with KIPCO Group through participating in the routine meetings of the Internal Audit Officers of the Group to ensure the continuity of coordination and cooperation and review the latest developments related to the audit methodologies and procedures.

Audit work programs and the Branches' working papers were updated. Work papers were also prepared for various departments and activities in line with international standards, best practices and work ethics, whereby the Department updated and developed the Internal Audit Charter and BAC Charter.

An Internal Audit Methodology was developed covering the Department's operations in conformity with the International Standards on Auditing and best practices in line with the control environment at the Bank.

In line with the internal audit standards related to quality assurance, external quality assurance review was carried out over the internal audit operations through an external auditing firm, whereby Jordan Kuwait Bank is one of the first banks to do so, where in addition to this, the Internal Audit Department performs internal assessment of quality assurance on the internal audit operations by reviewing the work papers of every task by the audit managers, as well as the feedback from the employees of the Internal Audit Department and various business centers, together with the routine reports sent to the Internal Audit Committee. As for coordination with KIPCO Group, it is worth mentioning that group training of auditors from all the Group's banks and companies are conducted to review operations and quality assurance assessment, after which the audit departments within the Group would carry out cross checking activities.

In respect to human resources, the Audit Department enhanced its staff members; whereby appointing four new auditors during 2016. Many employees underwent several internal and local training courses some of which related to professional certification.

Information Technology

In keeping pace with information technology during the last decade, and in line with the development of e-banking, Jordan Kuwait Bank provided state of the art e-banking services channels, taking advantage of the development in the electronic communication networks including the JKB Mobile application, which provides the Bank's customers with round the clock banking services at any time and place using smart phones and devices operating on Android and iOS systems. The Bank also made sure that its e-banking services (online banking and smart phone applications) are provided through Omni Channels; which are characterized by using the same user name and password to access both systems as well as granting the customer the same authorities and financial limits for transactions performed through either system, thus providing convenient and easy to use systems with the highest levels of protection and security.

The new e-services which were activated during 2016 include the presentation and collection of bills electronically "eFAWATEERcom"; integrating with the national mobile payment gateway "JoMoPay", the ACH system provided through the Central Bank of Jordan, in addition to an array of banking services through the Self-service Banking Platform. Moreover, infra-structure services for FinTech companies were

provided, including settlement services for companies operating in this area such as Aya, Dinarak and Zain.

During 2016, the Information Technology Department participated in the implementation of the Bank's business development projects; providing the necessary technical and operational support required. Some of the most important projects which the Department contributed towards their implementation were: the Profitability and Cost Accounting System, the new Anti-Money Laundering System (SIRON AML); FATCA Project; CRIF Credit Inquiry System and integrating it with Know Your Customer System (KYC); Cards Fraud Management System, the new Debit and Credit Cards Products in its various categories and features such as PayPass; and the e-Statements System whereby taking into account the security factors and banking confidentiality.

To keep pace with the technological advancements, many infra-structure enhancement projects were developed and implemented. The infra-structure of the Bank's internal and external network was upgraded, together with completing all the aspects of the business continuity plan and storage environment for the main and alternative data center sites for Jordan and Palestine.

Financial Department

The Financial Department continued expanding the control over the Bank's operations according to the best practices in this field. The department provides various reports to support management in decision making process and monitoring the Bank's performance. In addition, all reports are prepared and issued to other related parties and regulatory bodies on timely basis.

The financial department contributed in the improvement process of all operations in the bank, this included the development of new banking services, expansion of branches and other committees concerning the contracting and procurement activities.

During the 4th quarter of 2016, the financial department launched the Costing and Profitability System which enriched the information available on customer, product, sector and departmental level. This tool will enhance the effectiveness and efficiency of decision-making process.

On the other hand, 2017 Budget was finalized with the participation of the Bank's various departments. It came as a translation of the Executive Management's vision for the coming year taking into consideration all surrounding conditions resulted from the current political and economic situations. The Long Range Plan for the years 2017 – 2021 was updated as per the Holding Company KIPCO Holding requirements as to be incorporated in the Group Plan.

Legal Department

During 2016, the Legal Department collected about JD 1.09 million of the written-off debts and other debts outside the financial position and has also collected around JD 1.8 million of the existing debts through legal actions. The Legal Department

provided over 5,400 consultations to the Bank's departments and branches during 2016. Moreover, the Legal Department actively participated in banking-related legal courses at the Judicial Institute of Jordan, Association of Banks in Jordan and within the Bank. The Department continued to perform its role in mitigating legal risks and increasing legal awareness among staff members through studies, reports and circulars.

Human Resources Department

During 2016, the Human Resources Department continued with building on what was achieved during previous years in terms of developing its business and the relevant systems and policies in accordance with the best international practices, in realization of the Bank's strategic directions for business development and enhancement of the support structure to meet its future aspirations and to maintain distinction and sustained growth through effective management of the human resources systems and policies.

The extensive efforts to develop the employees' technical, specialized and behavioral skills resulted in the growth of the number of those benefiting from training courses by 52% accompanied by just a 15% growth in the number of courses, which indicates the effectiveness of the programs held. For the purpose of developing selling skills, customer service and leadership skills for the Branches' Officials, a specialized program was held in which 106 employees of Branch Managers and their assistants benefited therefrom. The Human Resources Department continued with the job development programs for new employees which would increase their efficiency and qualify them for banking jobs, where 181 employees benefited from such program during the year; and of whom 82 successfully completed the program. 32 employees benefited from the comprehensive banking credit program upon completion of which, some were transferred to occupy banking jobs at the Bank's Head Office. Moreover, 97 employees successfully completed courses for improving proficiency in the English Language.

In response to the Bank's direction to develop the skills of the Control Departments' employees, 162 employees from the Risk Management, Compliance Department and the Internal Audit Department attended 63 specialized training courses throughout the year. Focus was particularly put on the anti-money laundering programs; where a comprehensive training program was held in cooperation with the international ACAMS Institution, with the participation of 176 employees in 3 high level program categories, one of which for senior executives, another for employees of the Risk Management and Compliance Control Department and the Internal Audit Department and the third for the employees of Corporate Credit Facilities, Treasury and Investment, SME's Retail Facilities, Credit Administration and Control, Private Banking, Cards Operations and Commercial Services Departments.

The Human Resources Department has been keen on adopting the Effective Manpower Control practice to cover the needs emerging from developments in

banking services and to enhance the control functions where internal transfers of employees increased by 28% accompanied with new appointments less 20% than 2015. Consequently, the number of the Bank's employees increased by 7%.

The fair wages management resulted in a reduction in job turnover by 20% to reach 9% only at the end of 2016 compared with 11% during the previous year.

Marketing and Public Relations Department

During the year, the Department continued to implement its work plan represented in enhancing the Bank's image; strengthen the effective communication channels with the customers and general public; convey a positive image surrounding the Bank's activities, services and accomplishments through various media and communications means and promote the Bank's role in enabling the local community in implementation of its social responsibility policy.

The major achievements of the Marketing and Public Relations Department during 2016 included the launch of marketing campaigns promoting its MasterCard products and which resulted in usage growth by 50% compared with 2015 in addition to launching two campaigns promoting "Western Union" Services; during which the number of outbound and inbound transfers grew by 26.8% during the 1st campaign and 30.8% during the 2nd campaign compared with the same period of last year.

The Department oversaw the launch of the Bank's website for Palestine's Branches in accordance with the Palestinian Monetary Authority's requirements. It has also supervised the production of the Bank's publications and pamphlets, press releases and managed the Bank's website. On the level of enhancing communications with its customers, the Bank's presence on the social media platforms were activated, witnessing a growth in the number of followers on the Bank's pages on Facebook; Twitter, Instagram and LinkedIn by 128%, 136%, 219% and 41% respectively compared with 2015.

The Quality Management Unit and through its routine visits to the Branches, focused on assessing and ascertaining their compliance with the standards of service quality provided to customers as well as submitting the relevant monthly reports.

Social Responsibility

During the year, the Bank continued enhancing its effective role in the area of social responsibility; where serving the local community and contributing towards improving the quality of life of individuals come in line with the Bank's mission, vision and objectives in this area. The Bank supports many activities, initiatives and projects related to the development of the local community, protection of the environment, national economy, sports, culture and education.

In 2016, the Bank continued with its financial support to many charitable organizations, humanitarian entities and development and rehabilitation projects in less fortunate rural areas. The Bank also continued to provide annual monetary support and sponsorship for two SOS homes as well as sponsoring many activities of the Jordanian Hashemite Fund for Human Development and the Goodwill Campaign.

The Bank continued supporting the University Education Program managed by the Amman Fund for the Future of Orphans in addition to providing financial aid to a number of outstanding students to cover their tuition fees at Jordanian Universities.

For the ninth consecutive year and in cooperation with the Human Resources Department, the Bank participated in the national program "Darb" that provides internships for university students. This program is implemented by King Abdullah II Fund for Development in cooperation with LoYAC (Jordan), and aims at enabling the youth to obtain better job opportunities.

The Bank also supports environmental initiatives that aim at preserving our forests and reservations, and participates in the Annual National Clean-up Campaign organized by the Jordanian Environment Society. During 2016, the Bank provided support to the Plumbing and Energy Cooperative Society which aims at breaking taboo of what is called "culture of shame" and particularly the role of women and engaging them in jobs that are monopolized by men. The "female run" Society was tasked with the maintenance and cleaning of water tanks for various charitable organizations selected by the Bank.

Supporting health services and initiatives are among the Bank's priorities within its social responsibility initiatives. During 2016, the Bank organized two blood drives in collaboration with the National Blood Bank. Moreover, a large number of the Bank's employees participate in the Friends of King Hussein Cancer Center Program whereby monthly donating to the Center from their salaries and for the third consecutive year participated in the Center's "Goal for Life" tournament. The Bank further provided support to the "Operation Smile" Jordan to cover the cost of surgical procedures for a number of less fortunate children.

Within the area of supporting the cultural and artistic scene, the Bank sponsored a number of literary, theatrical and artistic works and festivals as well as support local authors by purchasing their literatures.

MAJOR FINANCIAL INDICATORS AND RATIOS 2016 & 2015
Amounts in thousands JOD

	2016	2015
Major Operating Results		
Net interest and commission	102,132	102,210
Gross income	120,652	127,900
Income before taxes	43,492	56,467
Income for the year-Bank Shareholders	29,747	38,558
Earnings per share-Bank Shareholders	0.297	0.386
Major Balance Sheet Items		
Total assets	2,739,985	2,844,732
Direct Credit facilities – net	1,446,911	1,372,787
Customers deposits and cash margins	1,791,361	1,987,808
Total equity-Bank shareholders	459,693	448,579
Off-Balance Sheet Items	496,052	448,306
Major Financial Ratios	2016	2015
Return on average assets	1.07%	1.45%
Return on average Owners' equity	6.53%	8.84%
Capital adequacy ratio	18.75%	18.23%
Financial leverage ratio	16.98%	15.97%
Efficiency Indicators		
Gen. & Admin. expenses / Net interest and commission	52.83%	45.80%
Gen. & Admin. expenses / Gross earnings	44.72%	36.60%
Assets Quality Indicators		
Non – performing loans / Gross credit facilities	8.59%	8.67%
Non – performing loans Coverage	60.54%	46.33%

EXECUTIVE MANAGEMENT

Mr. “Moh’d Yaser” M. Al-Asmar General Manager	
Mr. Tawfiq A. Mukahal Deputy General Manager, Head of Banking Group	
Mr. Shaher E. Suleiman Head of Risk Management & Compliance Group	
Mr. William J. Dababneh Head of Treasury & Investment	
Mrs. Hiyam S. Habash Head of Finance	
Mr. Haethum S. Buttikhi Head of Retail & Private Banking	
Mr. Abdel Kareem M. Friehat Head of Operations & Information Technology	
Mr. Zuhdi B. Al-Jayousi Head of Corporate Credit	
Mr. Ibrahim E. Kashet Head of Legal Affairs	
Mr. Ibraheem S. Al-Hanash Regional Head – Palestine Branches	
Mr. Moh’d J. Azem Hammad Head of Risk Dept.	Mr. Sa’ed M. Tu’meh Head of Compliance Dept.
Mr. Abdallah I. Mismar Head of Administrative Affairs Dept.	Mr. Daoud A. Issa Head of Human Resources Dept.
Mr. Ibrahim F. Bisha Co-Head, Treasury, Investment & Intl. Relations	Dr. Makram A. Qutob Co-Head, Corporate Credit

- In addition to Mr. Ibraheem F. Taani, Head of Internal Audit Dept., who reports to the Board Audit Committee and to the General Manager.

2017 Business Plan

Building on the Bank's achievements in 2016 and in line with its strategic plan, the 2017 business plan can be summarized as follows:

1. Continue to update the Bank's electronic channels and provide an array of new services that align with the Central Bank of Jordan's aspirations for financial inclusion and its pursuit to develop electronic payment and fund transfer services through mobile devices and cards. In addition to working on precautionary measures that ensure the soundness of the Bank's technological infrastructure, safeguarding operations, sites and systems against any possible cyber risks in addition to the implementation of the requirements of the IT Governance with the COBIT 5 framework.
2. Attract more customer deposits in its different types to maintain appropriate liquidity ratios to continue credit activities and achieve the targeted growth.
3. Expand the services of the Private Banking Department, finalize and equip its new location and establish a branch specifically for the Private Banking customers.
4. Expand the support and financing towards renewable energy projects and strengthen the Bank's role in this vital sector, while continuing along with the local and global trend to support and offer financing programs tailored towards SMEs which is regarded as an important sector and contributes in stimulating the national economy.
5. Continue to execute the Bank's employees' skills development plan, concentrating on specialized training programs both locally and abroad and specifically in the areas of risk management, compliance, AML, internal audit and information technology.
6. Continue to strengthen the Bank's role in supporting the local community and national development initiatives according to the Bank's social responsibility and sustainable development strategy.
7. Launch "Sanad" Capital, a subsidiary of the Bank, that provides financial and investment solutions to companies and investors in the field of investment banking and financial advisory services so as to enhance the complementary services offered by the Bank through its subsidiaries in the fields of brokerage services and financial leasing.
8. Implement the approved branch, ATM and ITM network expansion plan for the year 2017 based on feasibility studies for each specific area and expand the operations and activities of the Bank's mobile branch "Jawal".
9. Provide the necessary technical and administrative support to the Bank's branches in Palestine and Cyprus to enable them to expand in their business and activities and provide the required banking services and products to their customers.
- 10.** Capitalize on the capabilities and relationships of the mother company "Kuwait Projects Company Holding (KIPCO)" and its subsidiaries and its regional and global presence which allow for the expansion of joint businesses and the exchange of support and assistance among the Group's members.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE
YEAR ENDED DECEMBER 31, 2016
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

**Tentative
For Discussion
Purposes Only**

INDEPENDENT AUDITOR'S REPORT

AM/ 8702

To the Shareholders of
Jordan Kuwait Bank
A Public Limited Shareholding Company
Amman – Jordan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jordan Kuwait Bank, and its subsidiaries "the Bank" which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of income and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with amended International Financial Reporting Standards as stated in Note (2) and in accordance with the Central Bank's of Jordan arrangements for calculating of the provision for impairment of direct credit facilities as stated in Note (7) to the consolidated financial statements.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	How our audit addressed key audit matters
<p>Adequacy of Credit Facilities Impairment Provision</p> <p>The provision for credit facilities impairment is significant to the Bank's financial statements. Moreover, its calculation requires making assumptions and management's use of estimates for the drop in credit ratings and the probability of un-collectability due to the deteriorating financial and economic conditions of some sectors or debtors and inadequate guarantees, leading to suspension of interest according to the regulatory authorities' instructions.</p> <p>The nature and characteristics of credit facilities granted to debtors do vary from one sector to another, and from one country to another, due to the Bank's geographical deployment. Accordingly, the calculation method of the provision for credit facilities impairment varies due to diverse sectors and different risk assessments for those countries, as well as due to their legal and statutory requirements and the requirements of the Central Bank of Jordan.</p>	<p>Scope of Audit to Address Risks</p> <p>The performed audit procedures included understanding the nature of credit facilities portfolios, examining the internal control system adopted in granting and monitoring credit, and evaluating the reasonableness of management's estimates of the provision for credit facilities impairment. Furthermore, we reviewed and understood the Bank's policy for calculating provisions. We also selected and reviewed a sample of performing, watch-list, and non-performing credit facilities at the Bank's level as a whole. In addition, we evaluated the factors affecting the calculation of the provision for credit facilities impairment such as evaluating available guarantees and collaterals, customers' financial solvency, management's estimates of expected cash flows, and the regulatory requirements of the central banks. We also discussed these factors with executive management to verify the adequacy of recorded provisions, and we re-calculated the provisions required to be recorded for this sample.</p> <p>On the other hand, we evaluated disclosure adequacy relating to credit facilities, provision for credit facilities impairment, and risks set out in Note (7).</p>

<p align="center">Evaluation of Investments not Listed in organized Markets</p> <p>Investments not listed in organized markets are recorded at fair value based on available information. These investments together with evaluation bases are disclosed in Notes (8), (9) and (45). The Bank uses the Market-factor Index Method related to similar investments to evaluate these Investments at fair value, as well as other alternative methods.</p>	<p align="center">Scope of Audit to Address Risks</p> <p>Due to the lack of market trading prices for those investments, their evaluation method is a significant matter for our audit. We have reviewed the form prepared by the Bank and discussed it with the Bank's financial management. Moreover, our audit procedures included testing the internal control system related to the followed evaluation standards and assumptions used to verify their appropriateness in terms of the evaluation method or the suitability of related assumptions.</p>
<p align="center">Assets Seized by the Bank against Debts</p> <p>Assets seized by the Bank are shown at acquisition value or fair value, whichever is lower. As of the consolidated statement of financial position date, these assets are revalued individually at fair value based on approved bases and methods according to the requirements of the International Financial Reporting Standards. Moreover, any related impairment in their value is recorded based on recent real estate evaluations approved by certified real estate appraisers. A gradual provision has been calculated on the foreclosed assets whose seizure exceeded 4 years according to the circular of the Central Bank of Jordan in this regard.</p>	<p align="center">Scope of Audit to Address Risks</p> <p>The Bank should re-evaluate foreclosed assets seized by the Bank at least once every two years to determine their fair value and to reflect the effect of their impairment (if any) in the income statement according to the decisions issued by regulatory authorities in conformity with the International Financial Reporting Standards. Moreover, our audit procedures included obtaining experts' assistance to help us verify the fair value of the foreclosed assets and review the reports of the real estate appraisers hired by the management to evaluate these properties. Also, a gradual provision has been recalculated on the foreclosed assets whose seizure exceeded 4 years according to the circular of the Central Bank of Jordan in this regard.</p>

**Tentative
For Discussion
Purposes Only**

Other Information

Management is responsible for the other information. The other information comprises the other information in the annual report excluding the consolidated financial statements and the independent auditor's report thereon, which is expected to be made available to us after the date of our audit report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines 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 Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

**Tentative
For Discussion
Purposes Only**

As part of an audit in accordance with ISA's, we exercise professional judgement 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 risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 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 evidences obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Bank 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.

**Tentative
For Discussion
Purposes Only**

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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 reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records duly organized and in line with the accompanying consolidated financial statements.

Amman – Jordan

February 8, 2017

Deloitte & Touche (M.E.) – Jordan

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

	Note	December 31,	
		2016	2015
<u>ASSETS</u>		JD	JD
Cash and balances at central banks	4	279,155,436	402,439,784
Balances at banks and financial institutions	5	212,859,226	224,544,517
Deposits at banks and financial institutions	6	14,166,627	9,107,715
Direct credit facilities-net	7	1,446,910,964	1,372,787,204
Financial assets at fair value through profit or loss	8	69,705,520	76,219,060
Financial assets at fair value through comprehensive income	9	27,306,153	35,229,279
Financial assets at amortized cost	10	479,195,403	505,749,976
Property and equipment - net	11	28,779,027	25,801,797
Intangible assets - net	12	7,003,148	7,065,200
Deferred tax assets	19	10,128,723	7,393,577
Other assets	13	164,775,189	178,393,394
TOTAL ASSETS		<u>2,739,985,416</u>	<u>2,844,731,503</u>
<u>LIABILITIES AND OWNERS' EQUITY</u>			
<u>LIABILITIES:</u>			
Banks and financial institutions deposits	14	384,284,349	316,010,975
Customers deposits	15	1,703,401,315	1,900,905,886
Cash margins	16	87,959,874	86,902,100
Borrowed funds	17	33,636,542	24,015,900
Other provisions	18	12,105,531	10,526,597
Provision for income tax	19	14,567,302	13,238,965
Deferred tax liabilities	19	2,937,750	3,261,015
Other liabilities	20	35,917,912	35,616,596
TOTAL LIABILITIES		<u>2,274,810,575</u>	<u>2,390,478,034</u>
<u>OWNERS' EQUITY:</u>			
<u>EQUITY - BANK SHAREHOLDERS:</u>			
Authorized and paid-up capital	21	100,000,000	100,000,000
Statutory reserve	22	81,803,089	77,479,744
Voluntary reserve	22	152,003,949	143,357,259
Pro-cyclicality reserve	22	227,597	227,597
General banking risks reserve	22	13,525,686	13,353,038
Financial assets valuation reserve - net of tax	23	6,133,272	4,280,152
Retained earnings	24	105,999,129	109,880,864
TOTAL EQUITY - BANK'S SHAREHOLDERS		<u>459,692,722</u>	<u>448,578,654</u>
Non-controlling interest		<u>5,482,119</u>	<u>5,674,815</u>
TOTAL OWNERS' EQUITY		<u>465,174,841</u>	<u>454,253,469</u>
TOTAL LIABILITIES AND OWNERS' EQUITY		<u>2,739,985,416</u>	<u>2,844,731,503</u>

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE
READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF INCOME

		For the Year Ended	
		December 31,	
	Note	2016	2015
		JD	JD
Interest income	26	127,472,483	129,783,872
Less: Interest expense	27	37,617,749	39,515,093
Net Interest Income		89,854,734	90,268,779
Net commission income	28	12,277,308	11,940,749
Net Interest and Commission Income		102,132,042	102,209,528
Foreign currency income	29	5,428,627	4,225,200
(Loss) from financial assets at fair value through profit or loss	30	(66,259)	(633,460)
Cash dividends from financial assets at fair value through comprehensive income	9	1,096,853	870,143
(Loss) from sale of financial assets at amortized cost	31	-	(38,683)
Other income	32	12,060,982	21,267,340
Gross Income		120,652,245	127,900,068
Employees expenses	33	25,454,338	23,134,334
Depreciation and amortization	11 & 12	5,568,725	5,228,395
Provision of impairment loss in direct credit facilities	7	19,783,792	20,978,720
Other provisions	18	2,250,699	1,815,203
Other expenses	34	24,102,458	20,276,080
Total Expenses		77,160,012	71,432,732
Income for the Year before Income Tax Expense		43,492,233	56,467,336
Less: Income tax expense	19	13,486,423	17,055,660
Income for the Year		30,005,810	39,411,676
<u>Pertains to:</u>			
Bank's Shareholders		29,747,029	38,558,054
Non-Controlling Interest		258,781	853,622
<u>Earnings per Share for the Year Attributable to the Bank's Shareholders:</u>			
Basic and Diluted	35	-/297	-/386

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD
BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the Year Ended	
	December 31,	
	2016	2015
	JD	JD
Income for the year	30,005,810	39,411,676
<u>Other Comprehensive Income Items:</u>		
Items not subsequently transferable to consolidated statement of income:		
Net change in financial assets at fair value valuation reserve - net of tax	<u>1,313,834</u>	<u>(2,114,134)</u>
Total Comprehensive Income for the Year	<u><u>31,319,644</u></u>	<u><u>37,297,542</u></u>
<u>Total Comprehensive Income for the Year Pertains to:</u>		
Bank's shareholders	31,114,068	36,794,333
Non-controlling interest	<u>205,576</u>	<u>503,209</u>
Total	<u><u>31,319,644</u></u>	<u><u>37,297,542</u></u>

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD
BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN

CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

Equity - Bank's Shareholders											
Description	Note	Authorized and Paid-up Capital	Reserves				Financial Assets Valuation Reserve - Net of Tax	Retained Earnings	Total Equity - Bank's Shareholders	Non-controlling Interest	Total
			Statutory	Voluntary	Pro-Cyclicality	General Banking Risks					
<u>For the Year Ended December 31, 2016</u>		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balance - beginning of the year		100,000,000	77,479,744	143,357,259	227,597	13,353,038	4,280,152	109,880,864	448,578,654	5,674,815	454,253,469
Income for the year		-	-	-	-	-	-	29,747,029	29,747,029	258,781	30,005,810
Net change in financial assets at fair value - net of tax		-	-	-	-	-	1,367,039	-	1,367,039	(53,205)	1,313,834
Realized (loss) from financial assets at fair value through comprehensive income	9	-	-	-	-	-	486,081	(486,081)	-	-	-
Total Comprehensive Income for the Year		-	-	-	-	-	1,853,120	29,260,948	31,114,068	205,576	31,319,644
Transferred to reserves	22	-	4,323,345	8,646,690	-	172,648	-	(13,142,683)	-	-	-
Paid dividends	25	-	-	-	-	-	-	(20,000,000)	(20,000,000)	(398,272)	(20,398,272)
Balance - End of the Year		100,000,000	81,803,089	152,003,949	227,597	13,525,686	6,133,272	105,999,129	459,692,722	5,482,119	465,174,841
<u>For the Year Ended December 31, 2015</u>											
Balance - beginning of the year		100,000,000	71,918,373	132,234,517	227,597	12,982,394	6,043,831	108,377,609	431,784,321	5,171,606	436,955,927
Income for the year		-	-	-	-	-	-	38,558,054	38,558,054	853,622	39,411,676
Net change in financial assets at fair value - net of tax		-	-	-	-	-	(1,763,721)	-	(1,763,721)	(350,413)	(2,114,134)
Realized (loss) from financial assets at fair value through comprehensive income	9	-	-	-	-	-	42	(42)	-	-	-
Total Comprehensive Income for the Year		-	-	-	-	-	(1,763,679)	38,558,012	36,794,333	503,209	37,297,542
Transferred to reserves	22	-	5,561,371	11,122,742	-	370,644	-	(17,054,757)	-	-	-
Paid dividends	25	-	-	-	-	-	-	(20,000,000)	(20,000,000)	-	(20,000,000)
Balance - End of the Year		100,000,000	77,479,744	143,357,259	227,597	13,353,038	4,280,152	109,880,864	448,578,654	5,674,815	454,253,469

- Out of retained earnings, an amount of JD 10,128,723 as of December 31, 2016 (against JD 7,393,577 as of December 31, 2015) is restricted, according to the Central Bank of Jordan instructions, against deferred tax assets.
- Retained earnings include an amount of JD 3,927,791 as of December 31, 2016 (against JD 4,251,839 as of December 31, 2015) restricted against the effect of adopting International Financial Reporting Standard No. (9) according to the Jordan Securities Commission instructions in relation to the unrealized revaluation of financial assets at fair value through profit or loss, net of amounts recognized through sales.
- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.
- Use of negative balance for the Revalue of the financial Assets Reserve is restricted unless under a previous permission of the Central Bank of Jordan.

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED
FINANCIAL STATEMENTS AND SHOULD BE READ WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the Year Ended	
		December 31,	
		2016	2015
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the year before income tax		43,492,233	56,467,336
Adjustments:			
Depreciation and amortization	11&12	5,568,725	5,228,395
Provision for impairment loss in direct credit facilities	7	19,783,792	20,978,720
Net interest income		(10,658,907)	(8,999,386)
Provision for staff indemnity	18	1,980,699	1,629,890
Provision for lawsuits against the Bank and contingent claims	18	270,000	185,313
(Gain) on sale of properties seized by the Bank	32	(797,966)	(1,906,176)
(Gain) on sale of property and equipment	32	(6,044)	(312,049)
Loss on sale of financial assets at amortized cost	31	-	38,683
Valuation loss of financial assets at fair value through profit or loss	30	2,172,448	1,164,808
Provisions on seized real estates	13	3,420,103	3,641,733
Effect of exchange rate fluctuations on cash and cash equivalents	29	(1,194,136)	1,650,356
Total		64,030,947	79,767,623
CHANGES IN ASSETS AND LIABILITIES:			
(Increase) decrease in deposits at banks and financial institutions		(5,058,912)	2,000,010
(Increase) in direct credit facilities		(93,907,552)	(87,506,674)
Decrease (increase) in financial assets at fair value through profit or loss		4,341,092	(24,616,326)
Decrease in other assets		27,946,923	9,092,859
Increase in banks and financial institutions deposits due after three months		11,489,639	3,108,820
(Decrease) increase in customers deposits		(197,504,571)	231,066,845
Increase in cash margins		1,057,774	4,204,539
(Decrease) in other liabilities		(6,754,150)	(14,178,466)
Net change in assets and liabilities		(258,389,757)	123,171,607
Net Cash Flows (used in) from Operating Activities before Payments Provisions and Income Tax		(194,358,810)	202,939,230
End-of-service indemnity paid	18	(642,627)	(512,496)
Lawsuits paid	18	(29,138)	-
Income tax paid	19	(15,988,541)	(17,376,576)
Net Cash Flows (used in) from Operating Activities		(211,019,116)	185,050,158
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease (increase) in financial assets at amortized cost		26,554,573	(40,132,642)
Decrease (increase) in financial assets at fair value through comprehensive income		10,062,209	(8,031,172)
(Increase) in property, equipment and intangible assets		(8,483,903)	(14,265,891)
Net Cash Flows from (used in) Investing Activities		28,132,879	(62,429,705)
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Decrease) in non-controlling interest		(451,477)	(350,413)
Increase in borrowed funds		9,620,642	12,290,502
Dividends paid to shareholders		(19,230,438)	(19,272,458)
Net Cash Flows (used in) Financing Activities		(10,061,273)	(7,332,369)
Effect of exchange rate fluctuations on cash and cash equivalents		1,194,136	(1,650,356)
Net Increase (Decrease) increase in Cash and Cash Equivalents		(191,753,374)	113,637,728
Cash and cash equivalents - beginning of the year		337,200,731	223,563,003
Cash and Cash Equivalents - End of the Year	36	145,447,357	337,200,731

THE ACCOMPANYING NOTES FROM (1) TO (48) CONSTITUTE AN INTEGRAL
PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS AND SHOULD BE READ
WITH THEM AND WITH THE INDEPENDENT AUDITOR'S REPORT.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN – JORDAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1- General Information

- Jordan Kuwait Bank was established as a Jordanian public limited shareholding company under number (108) on October 25, 1976 in accordance with the Jordanian Companies Law No. (13) For the year 1964. The Bank's Head Office address is as follows: Omayya Bin Abdshams Street, Abdali – Amman. Tel. +962 (6) 5629400, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in all banking and financial related operations through its branches totaling 61 branches inside Jordan, Five foreign branches and three subsidiaries.
- Jordan Kuwait Bank is listed as a public limited shareholding company on the Amman Stock Exchange.
- The consolidated financial statements have been approved by the Bank's Board of Directors, in their meeting number (1/2017) held on February 8, 2017, and are subject to the approval of the General Assembly of Shareholders.

2- Significant Accounting Policies

Basis of Preparation of the Consolidated Financial Statements

- The accompanying consolidated financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards modified according to the Central Bank of Jordan instructions and arrangements with regards to the calculation of the provision for impairment loss for one of direct credit facilities customer, while the financial statements of the subsidiary companies have been prepared in accordance with the standards issued by the International Accounting Standards Board (IASB) and the interpretations issued by the Committee of the IASB.
- The consolidated financial statements are prepared in accordance with the historical cost principle, except for financial assets and financial liabilities stated at fair value through profit or loss, financial assets stated at fair value through other comprehensive income and financial derivatives stated at fair value at the date of the consolidated financial statements. Moreover, hedged financial assets and financial liabilities are also stated at fair value.
- The reporting currency of the consolidated financial statements is the Jordanian Dinar, which is the functional currency of the Bank.
- The accounting policies adopted in the consolidated financial statements are consistent with those accounting policies applied in the year ended December 31, 2015, except for the implementation of what is stated in Note (48) to the consolidated financial statements.

Basis of Financial Statements Consolidation

- The consolidated financial statements include the financial statements of the Bank and controlled subsidiaries. Control exists when the Bank has the power to control the financial and operating policies of the subsidiaries in order to obtain benefits from their activities. All transactions, balances, revenue and expenses between the Bank and its subsidiaries are eliminated.
- The financial statements of the subsidiaries relating to the same fiscal year of the Bank are prepared using the same accounting policies adopted by the Bank, except for the arrangements with the Central Bank of Jordan with regards to the calculation of the provision for impairment loss for a number of direct credit facilities customers. In case the accounting policies applied by the subsidiaries are different from those adopted by the Bank, necessary adjustments to the financial statements of the subsidiaries have to be made in order to match those applied by the Bank.
- Non-controlling interest represents the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of December 31, 2016:

Company's Name	Paid-up Capital JD	Ownership of the Bank %	Nature of Operation	Location	Date of Acquisition
United Financial Investments Company	8,000,000	50/22	Financial Brokerage	Amman	2002
Ejarah for Finance Leasing Company	20,000,000	100	Finance Leasing	Amman	2011
Specialized Managerial Company for Investment and Financial Consultation *	530,000	100	Versions Financial Consulting	Amman	2016

The most significant financial information for the subsidiaries for the year 2016 is as follows:

Company's Name	December 31, 2016		For the year 2016	
	Total Assets	Total Liabilities	Total Revenue	Total Expenses
	JD	JD	JD	JD
United Financial Investments Company	12,920,609	1,908,803	1,807,665	1,287,858
Ejarah for Finance Leasing Company	56,021,319	28,068,222	5,018,869	2,617,813
Specialized Managerial Company for Investment and Financial Consultation *	530,000	-	-	-

- * The company was established on November 22, 2016 with a capital of JD 630,000. The Company did not conduct any operating activities until the end of 2016. Note that The Bank has three members on the Board of Directors Company.

The results of operations of the subsidiaries are consolidated in the consolidated statement of income from the date of acquisition, which represents the date when control over the subsidiaries is passed on to the Bank. Moreover, the results of operations of the disposed of subsidiaries are consolidated in the consolidated statement of income until the disposal date, which represents the date when the Bank loses control over the subsidiaries.

Segments Information

- A business segment is a distinguishable component of assets and transactions in which an entity is engaged in providing an individual product or service or a group of related products or services subject to risks and returns different from those of other business segments, which are measured according to the reports used by executive directors and the main decision makers at the Bank.
- A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment subject to risks and returns different from those of components operating in other economic environments.

Financial Assets at Fair Value through Profit or Loss

- These financial assets represent investments in companies' stocks and bonds for trading purposes, and the purpose of maintaining them is to generate gains from the fluctuations in market prices in the short term or trading margins.
- These financial assets are initially stated at fair value at the acquisition date, (transaction costs are expensed in the consolidated statement of income at the purchase date), and subsequently measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of income including the change in fair value resulting from translation of non-monetary assets stated in foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of income.
- It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standards.
- Dividends and interest from these financial assets are recorded in the consolidated statement of income.

Financial Assets at Fair Value through Comprehensive Income

- These financial assets represent investments in equity instruments held for the purpose of generating gains in the long term and not for trading purposes.
- Financial assets at fair value through comprehensive income are initially stated at fair value plus transaction costs at the purchase date. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income and within owners' equity, including the changes in fair value resulting from translation of non-monetary assets stated in foreign currency. Gain or Loss from the sale of these investments should be recognized in the consolidated statement of comprehensive income and within owners' equity, and the balance of the revaluation reserve for these assets should be transferred directly to retained earnings and not to the consolidated statement of income.
- These assets are not subject to impairment testing.
- Dividends are recorded in the consolidated statement of income as a separate-line item.

Financial Assets at Amortized Cost

- These are the financial assets which the Bank's management aims to hold according to its business model for the purpose of collecting contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the outstanding principal.
- Those financial assets are stated at cost upon purchase plus acquisition expenses. Moreover, the issue premium / discount is amortized using the effective interest rate method, and recorded to the interest account. Provisions associated with the decline in value of these investments, leading to the inability to recover the investment or part of it, are therefore deducted, and any impairment loss in its value is recorded in the consolidated statement of income.
- The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.
- It is not allowed to reclassify any financial assets from / to this category except for certain cases specified in International Financial Reporting Standards (in case of selling any of these assets before their maturity date, the result should be recorded in a separate-line item in the consolidated statement of income, and disclosures should be made in accordance with the requirements of International Financial Reporting Standards).

Fair Value

Fair value represents the closing market price (Purchasing Assets / Selling Liabilities) of financial assets and derivatives on the date of the consolidated financial statements in Active Markets.

In case declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the present value of expected future cash flows for similar instruments.
- Option pricing models.
- Evaluation of long-term assets and liabilities that bear no interest in accordance with the discounted cash flows using the effective interest rate. Premiums and discounts are amortized within interest revenues or expense in the consolidated statement of income.

The valuation methods aim to obtain a fair value that reflects market expectations, taking into consideration market factors and any expected risks and benefits upon estimating the value of financial assets. In case the fair value of the financial instrument cannot be measured reliably, it is stated at cost less any impairment.

Impairment Loss in the Value of Financial Assets

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

Impairment loss is determined as follows:

- Impairment loss in financial assets recorded at amortized cost is determined on the basis of the present value of the expected cash flows discounted at the original interest rate.
- Impairment loss in value is recorded in the consolidated statement of income. Any surplus in the following period resulting from previous declines in the value of financial assets as debt instruments is taken to the consolidated statement of income, and equity instrument is taken to the consolidated statement of comprehensive income.

Direct Credit Facilities

- A provision for impairment loss in direct credit facilities is recognized when it is obvious that the financial assets of the Bank cannot be recovered, there is objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment loss amount can be estimated according to the Central Bank of Jordan instructions, except for the arrangements with the Central Bank of Jordan with regards to the calculation of impairment loss for a number of direct credit facilities customers, and in accordance with the Central Bank's instructions in which the Bank's branches operate. The provision is recorded in the consolidated statement of income.
- Interest and commissions on non-performing direct credit facilities are suspended in accordance with the instructions of the Central Bank of Jordan or the applicable laws in the countries where the Bank's branches or the subsidiaries operate, whichever are more restricting.
- Impaired credit facilities, for which a provision has been taken, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provision is taken to the consolidated statement of income, while debt recoveries are taken to other income.
- Credit facilities and their related suspended interest that are fully provided for are taken off the consolidated statement of financial position in line with the Board of Directors' decision in that regard.
- Interest on accounts with lawsuits is suspended and recorded off the consolidated statement of financial position in line with the Board of directors' decisions in this regard.

Property and Equipment

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

	%
Buildings	3
Furniture, fixtures and equipment	9 – 15
Vehicles	15
Computers	20
Building improvements	20

- When the recoverable amounts of property and equipment are lower than their carrying values, assets are written down, and impairment losses are recorded in the consolidated statement of income.
- The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimates.
- Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use.

Provisions

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

Provision for Employees' End-of-Service Indemnities

- A provision is taken to meet the legal and contractual obligations that are related to the employees' end-of-service indemnities or for the accumulated period of service as of the date of the consolidated statement of financial position, in accordance with the internal regulations of the Bank.
- The annual compensation paid to the employees who leave the service is carried to provision for end-of-service indemnities when paid, and a provision is taken for the obligations against the Bank for the compensation of end-of-service indemnities in the consolidated statement of income.

Income Tax

- Income tax expenses represent accrued taxes and deferred taxes.
- Income tax expenses are accounted for on the basis of taxable income. Moreover, income subject to tax differs from income declared in the consolidated financial statements because the latter includes non-taxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.
- Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions of the countries where the Bank operates.
- Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets or liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or tax assets are recognized.
- Deferred tax assets and liabilities are reviewed as of the date of the consolidated financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

Share Capital

Costs of Issuing or Purchasing the Bank's Shares

Costs of issuing or purchasing the Bank's shares are recorded in retained earnings (net of the tax effect of these costs). In case the issue or purchase process is incomplete, these costs are charged to the consolidated statement of income as an expense.

Treasury Shares

Treasury shares are stated at cost and have no rights in dividends to the shareholders, and no rights in participating or voting in the Bank's General Assembly meetings. Gains or losses from selling the treasury shares are not recognized in the consolidated statement of income. Gains are shown in owners' equity with share premium / discount whereas losses are taken to retained earnings, in case there is no treasury shares premium balance available.

Mortgaged Financial Assets

Mortgaged financial assets are assets mortgaged to other parties, who hold the right of selling or refinancing the mortgage. Those assets are continuously evaluated according to the accounting policies designated for each of them.

Accounts Managed on Behalf of Customers

This item represents the accounts managed by the Bank on behalf of its customers and is not part of the Bank's assets. The fees and commissions for managing these accounts are shown in the consolidated statement of income. Furthermore, a provision is taken against the decline in the value of capital-guaranteed portfolios managed on behalf of customers.

Offsetting

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

Recognition of Income and Realization of Expenses

- Interest income is realized and recognized based on the effective interest method, except for interest and commission on non-performing facilities which are not recognized as revenue but taken to the interest and commission in suspense account.
- Expenses are recognized on the accrual basis.
- Commission is recorded as revenue when the related services are rendered, and dividend revenue from companies is recognized when earned (or when approved by the shareholders General Assembly).

Recognition of Financial Assets Date

Purchase and sale of financial assets are recognized on the trading date (the date the Bank is liable to sell or purchase the financial asset).

Financial Derivatives and Hedge Accounting

Financial Derivatives Hedge

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

- **Fair value hedge**

Hedge for the change in the fair value exposures of the Bank's assets and liabilities.

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

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the consolidated statement of income for the same period as well as the change in the fair value of the assets or liabilities portfolio.

Commissions are recorded as income when providing related services, and is recognized profits when the shares of companies achieved (adopted, transmitted from the general assembly of shareholders).

- **Cash flows hedge**

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

When the conditions of effective cash flow hedge are met, the gain or loss of the hedging instruments is recognized in the consolidated statement of comprehensive income / owners' equity. Such gain or loss is transferred to the consolidated statement of income in the period in which the hedge transaction impacts the consolidated statement of income.

- **Hedge for net investment in foreign entities**

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

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

Financial Derivatives for Trading

The fair value of financial derivatives for trading such as forward foreign currency contracts, future interest rate contracts, swap agreements, and foreign currency options is recorded in the consolidated statement of financial position. Fair value is measured according to the prevailing market prices, and if the fair value is not available, the measurement method used should be disclosed. The change in their fair value is recognized in the consolidated statement of income.

Repurchase or Resale Agreements

- Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the consolidated financial statements as a result of the Bank's continuous control over these assets and as the related risks and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies (In case the buyer had a right to dispose or re-mortgage these assets, then they should be re-classified as financial assets mortgaged at amortized cost). Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

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

Assets Seized by the Bank against Due Debts

Assets seized by the Bank are shown under "other assets" in the consolidated statement of financial position at the acquisition value or fair value, whichever is lower and revalued individually at fair value as of the consolidated statement of financial position date. Any decline in their market value is taken to the consolidated statement of income whereas any such increase is not recognized. A subsequent increase is taken to the consolidated statement of income to the extent that it does not exceed the previously recorded impairment loss.

The Impairment Assets Seized by the bank is recorded based on a newly real estate evaluation which is reliable from an authorized evaluator for the purpose of the impairment calculations and this impairment is reviewed periodically. Moreover, as of the end of the year 2015 a gradual provision for the seized assets against debts are calculated and for which it has been owned for a period more than 4 years based on the instructions of the Central Bank of Jordan regarding this matter.

Intangible Assets

A- Goodwill

- Goodwill is recorded at cost, and represents the excess of the amount paid to acquire or purchase the investment in an associate or a subsidiary on the date of the transaction over the fair value of the net assets of the associate or subsidiary at the acquisition date. Goodwill resulting from the investment in a subsidiary is recorded as a separate item as part of intangible assets, while goodwill resulting from the investment in an affiliated company constitutes part of the investment in that company. The cost of goodwill is subsequently reduced by any impairment in the value of the investment.
- Goodwill is distributed over the cash generating unit(s) for the purpose of testing the impairment in its value.
- The value of goodwill is tested on the date of each consolidated financial statement. Goodwill value is reduced when there is evidence that its value has declined or the recoverable value of the cash generating unit(s) is less than book value. The decline in value is recorded in the consolidated statement of income as an impairment loss.

B- Other Intangible Assets

- Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Other intangible assets purchased other than through acquisition are recorded at cost.
- Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the

consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the financial statements date, and impairment loss is recorded in the consolidated statement of income.

- No capitalization of intangible assets resulting from the Banks' operations is made. They are rather recorded in the consolidated statement of income for the same period.
- Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.
- Computers software and applications are amortized according to the straight-line method over their estimated economic useful lives at an annual amortization rate of 20% - 33%.

Foreign Currencies

- Transactions in foreign currencies during the year are recorded at the exchange rates prevailing at the date of the transaction.
- Financial assets and financial liabilities denominated in foreign currencies are translated to US Dollar at the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan.
- Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.
- Gains and losses resulting from foreign currency translation are recorded in the consolidated statement of income.
- Translation differences for non-monetary assets and liabilities denominated in foreign currencies (such as shares) are recorded as part of the change in fair value.
- When consolidating the financial statements, assets and liabilities of the branches and subsidiaries abroad are translated from the primary currency (basic) to the reporting currency, using the average exchange rates prevailing on the consolidated statement of financial position date and declared by the Central Bank of Jordan. Revenue and expense items are translated using the average exchange rates during the year, and exchange differences are shown in a separate item within the consolidated statement of shareholders' equity. In case of selling one of the subsidiaries or branches, the related amount of exchange difference is booked in revenues\expenses in the consolidated statement of income.

Cash and Cash Equivalents

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

3. Accounting Estimates

Preparation of the accompanying consolidated financial statements and the application of accounting policies require from the Bank's management to estimate and assess some items affecting financial assets and liabilities and to disclose contingent liabilities. These estimates and assumptions also affect

income, expenses, provisions, and the financial assets valuation reserve, and in a specific way, it requires the Bank's management to estimate and assess the amounts and timing of future cash flows. The aforementioned estimates are based on several assumptions and factors with varying degrees of consideration and uncertainty. Furthermore, the actual results may differ from the estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Management believes that the estimates used in the consolidated financial statements are reasonable. The details are as follows:

- A provision is set for lawsuits raised against the Bank and subsidiaries. This provision is subject to an adequate legal study prepared by the Bank and subsidiaries legal advisors. Moreover, the study highlights potential risks that may be encountered in the future. Such legal assessments are reviewed frequently.
- A provision for loans is taken on the basis and estimates approved by management in conformity with the Central Bank of Jordan instructions except for the arrangements with the Central Bank of Jordan with regards to impairment loss calculation for some of direct credit facilities customers.
- Impairment loss for the properties seized by the Bank is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors, and impairment loss is reviewed periodically. Also, for the beginning of 2015 a gradual provision has been calculated for the foreclosed assets against debts has been considered which has been owned for a period more than 4 years according to the instructions of the Central Bank of Jordan regarding this matter.
- 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 status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.
- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss is taken to the consolidated statement of income.
- Provision for income tax: The financial year is charged with its portion from the income tax expense according to the prevailing laws and regulations and International Financial Reporting Standards. Moreover, the necessary income tax provision is calculated and recorded.
- Fair value hierarchy: The Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in International Financial Reporting Standards. Differentiating between Level (2) and Level (3) fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When evaluating the fair value of the financial asset or liability, the Bank uses market information (if available) and in the absence of the first level inputs, the Bank deals with the independent and qualified parties to prepare evaluation studies. Appropriate methods of assessment and inputs used to prepare the evaluation are reviewed by management.

4. Cash and Balances at Central Banks

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Cash in vaults	39,889,263	39,491,838
Balances at Central Banks:		
Current and call accounts	100,844,653	39,869,356
Time and notice deposits	46,490,409	224,697,524
Mandatory cash reserve	91,931,111	98,381,066
Total	279,155,436	402,439,784

- Except for the statutory cash reserve, there are no restricted balances as of December 31, 2016 and 2015.

- There are no balances due within a period exceeding three months as of December 31, 2016 and 2015.

5. Balances at Banks and Financial Institutions

The details of this item are as follows:

Description	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Current and call accounts	296,851	8,683	110,705,461	131,791,067	111,002,312	131,799,750
Deposits due within three months or less	13,642,099	25,189,000	88,214,815	67,555,767	101,856,914	92,744,767
Total	13,938,950	25,197,683	198,920,276	199,346,834	212,859,226	224,544,517

- Non-interest bearing balances at banks and financial institutions amounted to JD 35,132,679 as of December 31, 2016 (against JD 84,983,371 as of December 31, 2015).

- Restricted balances amounted to JD 2,558,072 as of December 31, 2016 and 2015

6. Deposits at Banks and Financial Institutions

The details of this item are as follows:

Description	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Deposits	-	1,999,990	14,166,627	7,107,725	14,166,627	9,107,715
Certificates of deposit	-	-	-	-	-	-
Total	-	1,999,990	14,166,627	7,107,725	14,166,627	9,107,715

- Restricted deposits amounted to JD 17,725 as of December 31, 2016 and 2015.

Provision of Impairment Loss in Direct Credit Facilities

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

	Companies					
	Real Estate		Small and		Government and	Total
	Individuals	Loans	Large	Medium	Public Sector	
For the Year 2016	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	5,163,412	3,526,473	43,039,005	2,029,619	-	53,758,509
Deducted from income during the year	3,074,485	2,677,535	16,450,684	300,725	-	22,503,429
Surplus in provision of credit facilities	1,415,879	732,886	416,754	154,118	-	2,719,637
Used from provision during the year (written-off) *	379,479	-	-	42,449	-	421,928
Balance – End of the Year	<u>6,442,539</u>	<u>5,471,122</u>	<u>59,072,935</u>	<u>2,133,777</u>	<u>-</u>	<u>73,120,373</u>
Total of watched list provisions	429,441	68,720	1,536,091	25,617	-	2,059,869
Total unperforming provisions	<u>6,013,098</u>	<u>5,402,402</u>	<u>57,536,844</u>	<u>2,108,160</u>	<u>-</u>	<u>71,060,504</u>
	<u>6,442,539</u>	<u>5,471,122</u>	<u>59,072,935</u>	<u>2,133,777</u>	<u>-</u>	<u>73,120,373</u>

	Companies					
	Real Estate		Small and		Government and	Total
	Individuals	Loans	Large	Medium	Public Sector	
For the Year 2015	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	3,669,701	3,104,292	46,571,503	1,943,646	-	55,289,142
Deducted from income during the year	1,917,100	1,147,988	19,523,459	294,960	-	22,883,507
Surplus in provision of credit facilities	143,469	725,807	826,524	208,987	-	1,904,787
Used from provision during the year (written-off) *	279,920	-	3,113	-	-	283,033
Credit facilities transferred to off-consolidated statement of financial position **	-	-	22,226,320	-	-	22,226,320
Balance – End of the Year	<u>5,163,412</u>	<u>3,526,473</u>	<u>43,039,005</u>	<u>2,029,619</u>	<u>-</u>	<u>53,758,509</u>
Total of watched list provisions	295,929	240,671	469,547	296,791	-	1,302,938
Total unperforming provisions	<u>4,867,483</u>	<u>3,285,802</u>	<u>42,569,458</u>	<u>1,732,828</u>	<u>-</u>	<u>52,455,571</u>
	<u>5,163,412</u>	<u>3,526,473</u>	<u>43,039,005</u>	<u>2,029,619</u>	<u>-</u>	<u>53,758,509</u>

* During the year 2016, an amount of JD 421,928 has been written off from direct credit facilities based on the Board of Directors' approval (against JD 283,033 for the year 2015).

** During the year 2015, non-performing credit facilities in the amount of JD 22,226,320 were transferred to off-consolidated statement of financial position according to the Board of Directors' decision to reach a balance of JD 37,879,584 as of December 31, 2015.

- The disclosure above is related to provisions against debts calculated on the basis of the individual customer.

- The provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 2,719,637 as of December 31, 2016 (JD 1,904,787 as of December 31, 2015).

Interest in Suspense

The movement on interest in suspense during the year is as follows:

	Companies					
	Real Estate		Small and		Government and	Total
	Individuals	Loans	Large	Medium	Public Sector	
For the Year 2016	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	457,342	1,184,303	9,568,870	269,077	-	11,479,592
Add: Interest suspended during the year	370,965	711,026	1,968,790	264,368	-	3,315,149
Less: Interest reversed to income	(148,590)	(75,876)	-	(102,673)	-	(327,139)
Interest in suspense written-off	<u>(36,655)</u>	<u>-</u>	<u>-</u>	<u>(15,861)</u>	<u>-</u>	<u>(52,516)</u>
Balance - End of the Year	<u>643,062</u>	<u>1,819,453</u>	<u>11,537,660</u>	<u>414,911</u>	<u>-</u>	<u>14,415,086</u>

	Companies					
	Real Estate		Small and		Government and	Total
	Individuals	Loans	Large	Medium	Public Sector	
For the Year 2015	JD	JD	JD	JD	JD	JD
Balance – beginning of the year	275,482	374,121	11,466,934	182,972	-	12,299,509
Add: Interest suspended during the year	241,811	1,435,985	3,131,650	202,191	-	5,011,637
Less: Interest reversed to income	(32,053)	(618,753)	(1,961,550)	(98,654)	-	(2,711,010)
Interest in suspense written-off	<u>(27,898)</u>	<u>(7,050)</u>	<u>-</u>	<u>(17,432)</u>	<u>-</u>	<u>(52,380)</u>
Interest in suspense transferred to off consolidated statement of financial position *	<u>-</u>	<u>-</u>	<u>(3,068,164)</u>	<u>-</u>	<u>-</u>	<u>(3,068,164)</u>
Balance - End of the Year	<u>457,342</u>	<u>1,184,303</u>	<u>9,568,870</u>	<u>269,077</u>	<u>-</u>	<u>11,479,592</u>

* The Bank adopts a policy for suspending interest off the Consolidated Statement of Financial Position for credit facilities that are outstanding before the Court of Law.
During the year 2016, suspended interest on non-performing credit facilities off the consolidated statement of financial position, as per the decision of the Board of Directors, amounted to JD 6,887,325 for the year 2016 (JD 8,289,525 for the year 2015). Total suspended interest on non-performing credit facilities out of the system reached JD 41,365,916 as of December 31, 2016 (JD 34,478,591 for the year 2015).

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Quoted shares in active markets	10,794,946	11,761,762
Quoted bonds in active markets	52,414,574	58,847,107
Unquoted bonds in active markets	6,496,000	5,610,191
Total	<u>69,705,520</u>	<u>76,219,060</u>

Bonds Analysis:

Fixed rate	55,434,516	48,848,668
Floating rate	3,476,058	15,608,630
Total	<u>58,910,574</u>	<u>64,457,298</u>

9. Financial Assets at Fair Value through Comprehensive Income

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Quoted shares in active markets	7,378,426	15,744,333
Unquoted shares in active markets	19,927,727	19,484,946
Total	<u>27,306,153</u>	<u>35,229,279</u>

- Realized losses from the sale of shares through comprehensive income amounted to JD 486,081 in 2016, (JD 42 during the year 2015) booked directly to retained earnings in the consolidated statement of owners' equity.

- Cash dividends on the above investments amounted to JD 1,096,853 for the year ended December 31, 2016 (JD 870,143 for the year ended December 31, 2015).

10. Financial Assets at Amortized Cost

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
<u>Quoted Financial Assets:</u>		
Companies bonds and debentures	15,842,727	3,104,401
Total Quoted Financial Assets	<u>15,842,727</u>	<u>3,104,401</u>
<u>Unquoted Financial Assets:</u>		
Treasury bonds and bills	447,399,676	486,175,075
Companies' bonds and debentures	15,953,000	16,470,500
Total Unquoted Financial Assets	<u>463,352,676</u>	<u>502,645,575</u>
Total	<u>479,195,403</u>	<u>505,749,976</u>

Bonds and Bills Analysis:

Fixed rate	464,750,403	491,304,976
Floating rate	14,445,000	14,445,000
Total	<u>479,195,403</u>	<u>505,749,976</u>

11. Property and Equipment - Net

a. The details of this item are as follows:

	Furniture, Fixtures and Building						
Year 2016	Land	Buildings	Equipment	Vehicles	Computers	Improvements	Total
	JD	JD	JD	JD	JD	JD	JD
<u>Cost:</u>							
Balance - beginning of the year	3,046,712	9,726,226	10,764,324	707,632	15,009,540	12,528,188	51,782,622
Additions	-	645,388	1,154,430	617,805	1,351,558	2,918,432	6,687,613
Disposals	-	-	(17,992)	(3,849)	(96,997)	-	(118,838)
Balance - End of the Year	3,046,712	10,371,614	11,900,762	1,321,588	16,264,101	15,446,620	58,351,397
<u>Accumulated Depreciation:</u>							
Balance - beginning of the year	-	1,811,734	7,584,305	471,502	10,659,636	9,508,786	30,035,963
Depreciation for the year	-	174,322	805,758	127,442	1,448,097	1,225,253	3,780,872
Disposals	-	-	(17,992)	(3,849)	(96,780)	-	(118,621)
Balance - End of the Year	-	1,986,056	8,372,071	595,095	12,010,953	10,734,039	33,698,214
Net Book Value of Property and Equipment	3,046,712	8,385,558	3,528,691	726,493	4,253,148	4,712,581	24,653,183
Add: Down payments on property and equipment purchases	-	-	4,125,844	-	-	-	4,125,844
Net Book Value of Property and Equipment - End of the Year	3,046,712	8,385,558	7,654,535	726,493	4,253,148	4,712,581	28,779,027
Year 2015							
<u>Cost:</u>							
Balance - beginning of the year	2,690,811	3,870,155	9,503,573	650,432	13,388,429	11,273,690	41,377,090
Additions	355,901	6,078,835	1,286,415	70,500	1,621,111	1,254,498	10,667,260
Disposals	-	(222,764)	(25,664)	(13,300)	-	-	(261,728)
Balance - End of the Year	3,046,712	9,726,226	10,764,324	707,632	15,009,540	12,528,188	51,782,622
<u>Accumulated Depreciation:</u>							
Balance - beginning of the year	-	1,820,740	6,882,338	423,044	9,416,736	8,389,440	26,932,298
Depreciation for the year	-	134,128	727,631	51,617	1,242,900	1,119,346	3,275,622
Disposals	-	(143,134)	(25,664)	(3,159)	-	-	(171,957)
Balance - End of the Year	-	1,811,734	7,584,305	471,502	10,659,636	9,508,786	30,035,963
Net Book Value of Property and Equipment	3,046,712	7,914,492	3,180,019	236,130	4,349,904	3,019,402	21,746,659
Add: Down payments on property and equipment purchases	-	-	4,055,138	-	-	-	4,055,138
Net Book Value of Property and Equipment - End of the Year	3,046,712	7,914,492	7,235,157	236,130	4,349,904	3,019,402	25,801,797
Annual depreciation rate %	-	3	9 - 15	15	20	20	

b. Property and equipment include an amount of JD 22,849,169 as of December 31, 2016 (JD 19,049,196 as of December 31, 2015) representing fully depreciated assets.

12. Intangible Assets - Net

The details of this item are as follows:

Year 2016	Computer Software and Applications	Total
	JD	JD
Balance - beginning of the year	7,065,200	7,065,200
Additions	1,725,801	1,725,801
Amortization for the year	1,787,853	1,787,853
Balance - End of the Year	7,003,148	7,003,148

Annual amortization rate % 20-33

Year 2015	Computer Software and Applications	Total
	JD	JD
Balance - beginning of the year	7,362,498	7,362,498
Additions	1,655,475	1,655,475
Amortization for the year	1,952,773	1,952,773
Balance - End of the Year	7,065,200	7,065,200

Annual amortization rate % 20 - 33

13. Other Assets

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Accrued interest and revenue	16,944,811	15,850,637
Prepaid expenses	2,252,548	2,512,764
Assets seized by the Bank against debts - net	136,494,967	156,912,370
Unrealized gains from financial derivatives (Note 37)	-	741
Debtors *	933,086	69,795
Clearing checks	6,448,782	126,624
Others *	1,700,995	2,920,463
Total	164,775,189	178,393,394

** Debtors and other assets include balances relating to the subsidiary companies of JD 206,931 as of December 31, 2016 (JD 980,913 as of December 31, 2015).

- The Central Bank of Jordan's instructions require that the Bank dispose of seized real estate within a period not exceeding two years from the start date of seizure and the central bank, in exceptional cases, extend this period for a maximum of two years respectively.

The movement on assets seized by the Bank against due debts was as follows:

	2016			2015
	Seized Property	Other Seized Assets *	Total	Total
	JD	JD	JD	JD
Balance - beginning of the year - net	153,273,679	3,638,691	156,912,370	153,234,838
Additions **	6,910,198	-	6,910,198	19,271,651
Disposals	(21,724,282)	(2,183,216)	(23,907,498)	(11,952,386)
Provision as per CBJ instructions ***	(2,382,899)	-	(2,382,899)	(699,945)
Impairment per loss	(1,037,204)	-	(1,037,204)	(2,941,788)
Balance - End of the Year	135,039,492	1,455,475	136,494,967	156,912,370

* This item represents shares in a local bank seized against due debts during the year 2014. part of it has been sold during 2016 and profits amounted of JD 211,318 have been recorded.

** This item includes additions of new properties owned during the year 2016 amount of JD 456 Thousand in addition to the costs of development and completion of construction works until they are ready for sale. Knowing that the completion of the development and construction works as well as all the properties are available for sale during the second half of the year 2016.

*** This item represent aprovision of properties seized by the bank based on the instruction of the central bank of Jordan regarding this issue for which the bank started to calculate a gradual provision for the foreclosed assets against debts which has been owned for a period more than 4 years.

14. Banks and Financial Institutions Deposits

The details of this item are as follows:

	December 31, 2016			December 31, 2015		
	Inside	Outside	Total	Inside	Outside	Total
	Kingdom	Kingdom		Kingdom	Kingdom	
	JD	JD	JD	JD	JD	JD
Current and call accounts	-	2,029,310	2,029,310	30,715,787	249,514,947	280,230,734
Time deposits *	179,022,000	203,233,039	382,255,039	-	35,780,241	35,780,241
Total	179,022,000	205,262,349	384,284,349	30,715,787	285,295,188	316,010,975

* Time deposits due within a period exceeding three months amounted to JD 40,275,116 as of December 31, 2016 (JD 28,785,477 as of December 31, 2015).

15. Customers Deposits

The details of this item are as follows:

	December 31, 2016				
	Companies			Government and Public Sector	Total
	Individuals	Large	Small and Medium		
	JD	JD	JD	JD	JD
Current and call accounts	324,040,596	107,637,254	180,375,707	11,447,357	623,500,914
Saving deposits	167,305,167	4,814,158	5,954,718	99,446	178,173,489
Time deposits subject to notice	593,276,065	176,368,810	94,842,562	36,464,982	900,952,419
Certificates of deposit	774,493	-	-	-	774,493
Total	1,085,396,321	288,820,222	281,172,987	48,011,785	1,703,401,315

	December 31, 2015				
	Companies			Government and Public Sector	Total
	Individuals	Large	Small and Medium		
	JD	JD	JD	JD	JD
Current and call accounts	331,540,348	153,813,799	195,647,043	11,545,194	692,546,384
Saving deposits	156,803,172	5,424,536	1,000,312	124,557	163,352,577
Time deposits subject to notice	564,595,843	192,190,240	194,629,777	91,987,361	1,043,403,221
Certificates of deposit	1,603,704	-	-	-	1,603,704
Total	1,054,543,067	351,428,575	391,277,132	103,657,112	1,900,905,886

- The Government of Jordan and the public sector deposits inside the Kingdom amounted to JD 48,011,785 which is equivalent to (2.8%) of total customers' deposits as of December 31, 2016 (JD 103,657,112 , which is equivalent to (5.5%) as of December 31, 2015).
- Non-interest bearing deposits amounted to JD 407,237,963 which is equivalent to (23.9%) of total customers' deposits as of December 31, 2016 (JD 580,284,897 which is equivalent to (30.5%) as of December 31, 2015).
- Restricted deposits amounted to JD 20,709,957 which is equivalent to (1.2%) of total customers' deposits as of December 31, 2016 (JD 15,203,518 which is equivalent to (0.8%) as of December 31, 2015).
- Dormant deposits amounted to JD 21,136,889 as of December 31, 2016 (JD 31,062,695 as of December 31, 2015).

16. Cash Margins

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Cash margins on direct credit facilities	63,804,633	66,917,689
Cash margins on indirect credit facilities	24,072,933	19,902,103
Other margins	82,308	82,308
Total	87,959,874	86,902,100

17. Borrowed Funds

These funds have been obtained under a loan agreement with the Central Bank of Jordan and the Jordan Company for Refinancing Real Estate Mortgage for a period

ranging from less than 1 to 15 years to finance micro -, small -, and medium - sized companies. These also include grants obtained from the Central Bank of Jordan for two years to

finance micro -, small -, and medium-sized companies within a medium-term funding program as follows:

	Money Borrowed	Amount	Number of Installments	Installment Repayment	Lending Interest Rate	Collaterals
December 31, 2016	JD	JD				
Loan through the Central Bank of Jordan	4,000,000	4,000,000	Repaid over 12 years	Semi annual	3.05%	-
Loan through the Central Bank of Jordan	3,000,000	3,000,000	Repaid over 8 years	Semi annual	2.5%	-
Loan through the Central Bank of Jordan	3,600,000	3,600,000	Repaid over 15 years	Semi annual	2.69%	-
Central Bank of Jordan's predecessor	4,130,022	3,601,665	Repaid over 5 years	Monthly	1.906%	Upon demand
Central Bank of Jordan's predecessor	500,000	321,430	Repaid over 1 years	Quarterly	1.75%	Upon demand
Central Bank of Jordan's predecessor	322,503	322,503	Repaid over 1 years	Renewed annually	1.75%	Upon demand
Local Bank (Overdraft related to a subsidiary company)	5,000,000	2,036,266	Not Ablicable	Not Ablicable	6%	-
Local Bank (Loan related to a subsidiary company)	5,000,000	1,754,678	Repaid in 36 installments from the date of its exploitation		6.5%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2017	Paid in 36 installment from utilization date	3.9%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2018	Paid in one installment during 2016	4.35%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2018	Paid in one installment during 2016	5.75%	-
Total	40,552,525	33,636,542				

December 31, 2015

Loan through the Central Bank of Jordan	3,000,000	3,000,000	Repaid over 10 years	Semi annual	2.5%	-
Loan through the Central Bank of Jordan	4,000,000	4,000,000	Repaid over 15 years	Semi annual	2.5%	-
Central Bank of Jordan's predecessor	2,015,900	2,015,900	2 years	Semi annual	2.0%	Notes
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2016	Paid under one installment during 2016	5.8%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2018	Paid under one installment during 2018	5.75%	-
Loan through the Jordan Company for Refinancing Real Estate Mortgage	5,000,000	5,000,000	Paid under one installment during 2018	Paid under one installment during 2018	4.35%	-
Total	24,015,900	24,015,900				

18. Other Provisions

The details of this item are as follows:

Year 2016	Balance - Beginning of the Year	Provision for the Year	Released during the Year	Balance - End of the Year
	JD	JD	JD	JD
Provision for end of service indemnity	9,897,915	1,980,699	642,627	11,235,987
Provision for lawsuits against the Bank and contingent claims	628,682	270,000	29,138	869,544
Total	10,526,597	2,250,699	671,765	12,105,531

Year 2015	Balance - Beginning of the Year	Provision for the Year	Released during the Year	Balance - End of the Year
	JD	JD	JD	JD
Provision for end-of-service indemnity	8,780,521	1,629,890	512,496	9,897,915
Provision for lawsuits against the Bank and contingent claims	443,369	185,313	-	628,682
Total	9,223,890	1,815,203	512,496	10,526,597

19. Income Tax

a. Income tax provision

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

	2016	2015
	JD	JD
Balance - beginning of the year	13,238,965	13,789,069
Income tax for the year	17,316,878	16,826,472
Income tax paid	(15,988,541)	(17,376,576)
Balance - End of the Year	14,567,302	13,238,965

b. Income tax expense

Income tax expense for the year in the consolidated statement of income consists of the following:

	2016	2015
	JD	JD
Income tax for the year	17,316,878	16,826,472
Effect of deferred tax assets for the year	(2,735,146)	(866,121)
Effect of deferred tax liabilities for the year	(1,095,309)	1,095,309
Total	13,486,423	17,055,660

c. Tax Status

Below are the details of the tax status of the Bank's branches and subsidiary companies:

Branches / Companies	Income Tax Return up to End of the Year	Final Settlement up to End of the Year	Payment to Income and Sales Tax Department	Years under Dispute
Jordan branches	2015	2014	Accrued tax has been paid	None
Palestine branches	2015	2014	Accrued tax has been paid	2007 and 2008
Cyprus branch	2015	2015	Accrued tax has been paid	None
Ejarah Capital Leasing Company	2015	None	Accrued tax has been paid	None
United Financial Investment Company	2015	2014	Accrued tax has been paid	2013

d- Deferred Tax Assets / Liabilities:

The details of this item are as follows:

	2016			December 31,	
				2016	2015
	Balance - Beginning of the Year	Amounts		Balance - End of the Year	Deferred Tax
		Additions	Realized		Deferred Tax
	JD	JD	JD	JD	JD
<u>a- Deferred Tax Assets</u>					
Provision for end-of-service indemnity	9,897,915	1,980,699	642,627	11,235,987	3,898,626
Provisions for seized assets	3,822,140	3,420,103	-	7,242,243	2,534,785
Provision for accounts receivable - subsidiary company	1,092,981	253,546	-	1,346,527	323,166
Provision for lawsuits against the Bank	628,682	270,000	29,138	869,544	304,011
Provision for watch list credit facilities	774,357	1,189,068	774,357	1,189,068	416,174
Loss on financial assets at fair value through profit or loss	<u>5,345,971</u>	<u>2,126,963</u>	<u>17,417</u>	<u>7,455,517</u>	<u>2,651,961</u>
Total	<u>21,562,046</u>	<u>9,240,379</u>	<u>1,463,539</u>	<u>29,338,886</u>	<u>10,128,723</u>
<u>b- Deferred Tax Liabilities *</u>					
Financial assets at fair value valuation reserve *	6,160,456	2,145,428	(86,775)	8,392,659	2,937,750
Depreciation and amortization	<u>3,129,454</u>	<u>-</u>	<u>3,129,454</u>	<u>-</u>	<u>-</u>
Total	<u>9,289,910</u>	<u>2,145,428</u>	<u>3,042,679</u>	<u>8,392,659</u>	<u>3,261,015</u>

* Deferred tax liabilities resulting from the revaluation gain of financial assets at fair value through comprehensive income are stated

within the financial asset valuation reserve in the consolidated statement of owners' equity.

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

	2016		2015	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
Balance - beginning of the year	7,393,577	3,261,015	6,527,456	3,077,201
Additions during the year	3,244,032	751,218	2,217,260	1,095,309
Released during the year	<u>(508,885)</u>	<u>(1,074,483)</u>	<u>(1,351,139)</u>	<u>(911,495)</u>
Balance - End of the Year	<u>10,128,724</u>	<u>2,937,750</u>	<u>7,393,577</u>	<u>3,261,015</u>

e- A summary of the reconciliation between declared income and taxable income:

The following is the reconciliation between declared income and taxable income:

	2016	2015
	JD	JD
Declared income	43,492,233	56,467,336
<u>Add: Unacceptable tax expenses</u>	<u>17,075,693</u>	<u>10,641,109</u>
<u>Less: Profit not subject to tax</u>	<u>(7,161,227)</u>	<u>(10,451,322)</u>
Taxable Income	<u>53,406,699</u>	<u>56,657,123</u>

Income Tax Rates:

Jordan branches	35%	35%
Palestine branches	20%	20%
Cyprus branches	12.5%	12.5%
Subsidiary companies	24%	24%

20. Other Liabilities

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Accrued interest	6,285,904	6,851,251
Inward transfers	1,194,377	869,056
Accounts payable (a)	3,297,870	2,424,817
Accrued expenses	1,750,683	1,677,487
Temporary deposits - customers	2,893,931	3,250,992
Temporary deposits (b)	4,042,262	3,692,623
Shareholders' deposits (c)	3,987,871	4,394,905
Accepted and certified checks	5,491,821	6,131,243
Lock boxes deposits	466,935	448,339
Subscriptions deposits (d)	131,949	137,719
Transactions in transit	-	79,853
Other liabilities (a)	6,374,309	5,658,311
Total	<u>35,917,912</u>	<u>35,616,596</u>

(a) Accounts payable and other liabilities include balances related to the subsidiaries of JD 2,612,727 as of December 31, 2016 (JD 3,689,445 as of December 31, 2015).

(b) This item represents temporary payment deposits to public shareholding and other companies.

(c) This item represents the net balance resulting from selling unsubscribed shares with a total number of 1,136,495 shares at market price during the year 2006. The difference between the market price and issue price of the share of JD 3 has been recorded as shareholders' deposits.

(d) This item represents refunds of subscriptions in public shareholding companies under establishment.

21. Authorized and Paid-up Capital

Paid-up capital amounted to JD 100 million, divided into 100 million shares at a par value of JD 1 per share as of December 31, 2016 and 2015.

22. Reserves

The details of the reserves as of December 31, 2016 and 2015 are as follows:

a. Statutory Reserve

This item represents the accumulated amount of the appropriations from income before tax at 10% during the current and previous years according to the Banks Law and the Jordanian Companies Law. This amount is not distributable to shareholders.

b. Voluntary Reserve

This item represents the accumulated amount of appropriations from income before tax at a maximum rate of 20% per year. The voluntary reserve is to be used according to a resolution by the Board of Directors. The General Assembly has the right to distribute this reserve or any portion therefrom as dividends to shareholders.

c- Pro-Cyclicality Reserve

This item represents the risk reserve taken according to the Palestine Monetary Authority at 15% from annual net income after tax, for the purpose of supporting the Bank's capital in Palestine and facing risks related to the Banking sector. This reserve will accumulate until reaching 20% of paid-up capital. It is not allowed to use any part of the pro-cyclicality fluctuation reserve or to reduce it in any way without the prior approval from the Palestine Monetary Authority.

d- General Banking Risks Reserve

This item represents the general banking risks reserve in accordance with the Central Bank of Jordan regulations.

The following represents the distribution of the general banking risks reserve according to the Bank's branches:

	December 31,	
	2016 JD	2015 JD
Jordan branches	10,992,541	11,122,323
Cyprus branches	1,754,196	1,560,005
Palestine branches	214,719	214,710
Subsidiary Companies	564,230	456,000
Total	13,525,686	13,353,038

- The following are the restricted reserves:

Name of Reserve	December 31,		Nature of Restriction
	2016 JD	2015 JD	
Statutory reserve	81,803,089	77,479,744	According to the Jordanian Companies Law and the Bank's Law.
Pro-cyclicality reserve	227,597	227,597	According to Palestine Monetary Authority Instructions.
General banking risks reserve	13,525,686	13,353,038	According to the Central Bank of Jordan.

23. Financial Assets Valuation Reserve at Fair Value - Net of Tax

- The movement during the year on this item is as follows:

	2016 JD	2015 JD
Balance - beginning of the year	4,280,152	6,043,831
Unrealized gains (losses)	2,615,143	(2,675,174)
Deferred tax liabilities	(762,023)	911,495
Balance - End of the Year *	6,133,272	4,280,152

* The financial assets valuation reserve is presented as a net amount after deducting the related deferred tax liabilities of JD 2,937,750 as of December 31, 2016 (JD 2,165,706 as of December 31, 2015), and it is not transferable to the consolidated statement of income.

24. Retained Earnings

The movement during the year on this item is as follows:

	2016	2015
	JD	JD
Balance - beginning of the year	109,880,864	108,377,609
(Loss) from selling financial assets at fair value through comprehensive income - Note (9)	(486,081)	(42)
Income for the year	29,747,029	38,558,054
(Transferred) to reserves	(13,142,683)	(17,054,757)
Dividends paid (Note 25)	(20,000,000)	(20,000,000)
Balance - End of the Year	105,999,129	109,880,864

- Out of retained earnings, an amount of JD 10,128,723 as of December 31, 2016 is restricted against deferred tax assets according to the Central Bank of Jordan instructions (JD 7,393,577 as of December 31, 2015).
- Retained earnings include an amount of JD 3,927,791 as of December 31, 2016 (JD 4,251,839 as of December 31, 2015) restricted against the effect of adopting International Financial Reporting Standard (9) according to the instructions of the Jordan Securities Commission. The restriction is waived upon actual sale, which represents the revaluation of financial assets.
- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.
- Use of negative cumulative change in fair value of financial assets is restricted as per the Jordan Securities Commission and the Central Bank of Jordan instructions.

25. Proposed Dividends

Proposed dividends to shareholders for the current year is 20% of paid-up capital, which is equivalent to JD 20 million.

This percentage is subject to the General Assembly's approval. In the prior year, dividends were distributed at 20% of paid-up capital, which is also equivalent to JD 20 million.

26. Interest Income

The details of this item are as follows:

	2016	2015
	JD	JD
Direct credit facilities:		
Individuals (retail)		
Overdraft accounts	1,738	1,801
Loans and promissory notes	8,080,112	7,151,097
Credit cards	699,162	771,433
Real - estate loans	9,955,761	7,904,660
Companies		
Large		
Overdraft accounts	10,675,398	11,067,685
Loans and promissory notes	44,210,243	44,654,428
Small and medium		
Overdraft accounts	1,145,660	1,329,930
Loans and promissory notes	9,011,681	9,016,499
Government and public sector	8,701,922	8,154,951
Balances at central banks	1,776,942	3,663,921
Balances and deposits at banks and financial institutions	5,537,911	6,737,651
Financial assets at amortized cost	23,217,350	25,427,677
Financial assets at fair value through profit or loss	4,458,603	3,902,139
Total	127,472,483	129,783,872

27. Interest Expense

The details of this item are as follows:

	2016	2015
	JD	JD
Deposits at banks and financial institutions	5,178,106	5,261,799
Customers deposits		
Time and notice deposits	25,353,576	27,295,138
Cash margins	1,311,584	1,321,623
Current and call accounts	203,625	1,015,454
Saving accounts	700,290	587,768
Certificates of deposit	20,478	32,993
Borrowed funds	1,245,040	808,023
Loan guarantee fees	3,605,050	3,192,295
Total	37,617,749	39,515,093

28. Net Commission Income

The details of this item are as follows:

	2016	2015
	JD	JD
Commission-direct credit facilities	4,740,060	4,800,511
Commission-indirect credit facilities	6,373,131	5,866,182
Other commissions	1,164,117	1,274,056
Total	12,277,308	11,940,749

29. Foreign Currency Income

The details of this item are as follows:

	2016	2015
	JD	JD
Income from trading / transactions	4,234,491	5,875,556
Income / (Loss) from valuation	1,194,136	(1,650,356)
Total	5,428,627	4,225,200

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

The details of this item are as follows:

	Realized Gains	Unrealized (Losses)	Shares Dividends Returns	Total
	JD	JD	JD	JD
Year 2016				
Companies shares	808,774	(1,147,488)	367,717	29,003
Companies bonds	938,884	(1,034,146)	-	(95,262)
Total	1,747,658	(2,181,634)	367,717	(66,259)

	Realized Gains (Losses)	Unrealized (Losses) Gains	Shares Dividends Returns	Total
	JD	JD	JD	JD
Year 2015				
Companies shares	86,551	(2,180)	435,691	520,062
Companies bonds	9,106	(1,162,628)	-	(1,153,522)
Total	95,657	(1,164,808)	435,691	(633,460)

31. Gain from Sale of Financial Assets at Amortized Cost

During the year 2015, financial assets at amortized cost have been requisitioned by the bonds issuer (called) at a par value of JD 2,127,000 million.

This has resulted in losses during the process amounting to JD 38,683 for the year then ended. Moreover, the maturity date of these financial

assets is September 29, 2020.

32. Other Income

The details of this item are as follows:

	2016	2015
	JD	JD
Rental of lock deposit boxes	184,989	180,739
Stamps income	52,872	12,590
Credit cards income	4,582,719	4,421,784
Recovery of debts previously written-off	1,104,910	5,792,861
Trading in shares revenue - subsidiary company	1,078,851	3,615,353
Telecommunication income	370,038	369,611
Transfers income	1,523,303	1,495,562
Gain on sale of seized assets	797,966	1,906,176
Gain on sale of property and equipment	6,044	312,049
Others	2,359,290	3,160,615
Total	12,060,982	21,267,340

33. Employees Expenses

The details of this item are as follows:

	2016	2015
	JD	JD
Salaries, allowances and employees' benefits	21,232,828	19,328,302
Contribution in social security	2,106,652	1,873,821
Medical expenses	1,261,990	1,183,772
Staff training	268,946	149,433
Travel expenses - per diems	382,281	385,720
Employees life insurance	118,481	96,716
Value added tax	83,160	116,570
Total	25,454,338	23,134,334

34. Other Expenses

The details of this item are as follows:

	2016	2015
	JD	JD
Rentals	2,711,899	2,331,740
Stationery	879,104	811,021
Advertisements	1,216,952	1,075,371
Subscriptions	210,316	220,829
Telecommunication expenses	1,271,221	1,072,993
Maintenance and repairs	3,082,328	2,243,045
Insurance expenses	983,418	833,709
Legal fees	123,040	34,896
Water, electricity and heating	1,474,744	1,443,174
Fees, taxes and stamps	943,732	802,754
Professional fees	248,559	222,872
Cards services expenses	2,856,917	1,983,690
Transportation expense	139,450	118,932
Correspondents services fees	251,627	103,008
Security services	216,730	214,201
Donations and social responsibility	704,996	764,899
Hospitality	110,782	131,941
Board of Directors' remunerations	108,400	91,600
Impairment loss against assets seized by the Bank against due debts (Note 13)	3,420,103	3,641,733
Management fees (Note 38)	493,464	326,530
Others	2,654,676	1,807,142
Total	24,102,458	20,276,080

35. Earnings Per Share - Bank's Shareholders (Basic and Diluted)

The details of this item are as follows:

	2016	2015
	JD	JD
Income for the year attributed to the Bank's Shareholders	<u>29,747,029</u>	<u>38,558,054</u>
	Share	Share
Weighted average number of shares	<u>100,000,000</u>	<u>100,000,000</u>
	JD / Share	JD / Share
Earnings per share pertains to the Bank's Shareholders: (Basic and Diluted)	<u>-/297</u>	<u>-/386</u>

36. Cash and Cash Equivalents

The details of this item are as follows:

	December 31,	
	2016	2015
	JD	JD
Balances at central banks due within three months	279,155,436	402,439,784
<u>Add:</u> Balances at banks and financial institutions due within three months	212,859,226	224,544,517
<u>Less:</u> Banks and financial institutions deposits due within three months	(344,009,233)	(287,225,498)
Restricted balances - Note (5)	<u>(2,558,072)</u>	<u>(2,558,072)</u>
Total	<u>145,447,357</u>	<u>337,200,731</u>

37. Financial Derivatives

The details of this item are as follows:

As of December 31, 2016	Maturity of Nominal Value						
	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	From 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
	JD	JD	JD	JD	JD	JD	JD
Trading derivatives:							
Forward sales contracts in foreign currencies	-	-	-	-	-	-	-
Future contracts	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Forward purchase contracts in foreign currencies	-	-	-	-	-	-	-
Future contracts	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

Nominal value represents the outstanding transaction value at the end of the year, and does not represent market risks or credit risks.

As of December 31, 2015	Maturity of Nominal Value						
	Positive Fair Value	Negative Fair Value	Total Nominal Amounts	Within 3 Months	From 3 Months up to 12 Months	From 1 Year up to 3 Years	More than 3 Years
	JD	JD	JD	JD	JD	JD	JD
Trading derivatives:							
Forward sales contracts in foreign currencies	-	741	(652,057)	(652,057)	-	-	-
Future contracts	-	-	-	-	-	-	-
	-	741	(652,057)	(652,057)	-	-	-
Forward purchase contracts in foreign currencies	-	-	652,798	652,798	-	-	-
Future contracts	-	-	-	-	-	-	-
	-	-	652,798	652,798	-	-	-
Total	-	741	741	741	-	-	-

38. Transactions with Related Parties

The Bank entered into transactions with subsidiary companies, affiliate companies, major shareholders, Board of Directors, and executive management within the normal banking practice and according to the normal interest rates. All of the credit facilities granted to related parties are considered to be performing facilities, and no impairment provisions have been taken as of the consolidated financial statements date.

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

	Related Party				Total	
	Affiliates	Board of Directors Members *	Executive Managers *	Others **	December 31,	
					2016	2015
	JD	JD	JD	JD	JD	JD
On- Consolidated Statement of Financial Position Items:						
Direct credit facilities *	-	104,567	1,918,715	3,109	2,026,391	1,687,774
Banks and financial institutions deposits	-	193,339,532	-	-	193,339,532	149,094,426
Deposits	-	8,692,671	1,571,157	364,854	10,628,682	48,718,354
Deposits at banks and financial institutions	-	932,461	-	-	932,461	-
Cash margins	-	2,500	-	133,620	136,120	305,890
Financial assets at fair value through the income statement	-	-	-	-	-	11,412,064
Financial assets at fair value through other comprehensive income	15,700,095	-	-	3,230,000	18,930,095	18,408,077
Financial assets at amortized cost	-	14,842,209	-	-	14,842,209	2,103,603
Other financial assets	-	-	-	-	-	900,000

Off- Consolidated Statement of Financial Position Items:

Letters of guarantee	-	33,000	-	60,000	93,000	84,400
Letters of credit	217,673	165,197	-	4,254,000	4,636,870	8,699,552

					Total	
					2016	2015
					JD	JD
<u>Consolidated Statement of Income items:</u>						
Interest and commission income ***	-	670,003	106,643	75	776,721	883,946
Interest and commission expense ****	489	5,213,812	32,441	-	5,246,742	4,070,221
Management fees	-	493,464	-	-	493,464	326,530
Financial assets dividends	437,999	-	-	-	437,999	687,549

* Included in the direct credit facilities granted to the directors members is an amount of JD 31,794 representing credit facilities granted to the board of directors members of United Financial Investments Company (subsidiary company) as of December 31, 2016 (There are no direct credit facilities as of December 31, 2015).

* Included in the direct credit facilities granted to the executive management and board of directors are an amount of JD 549,549 representing credit facilities granted to the board of directors for members of Ejarah Finance Leasing Company (subsidiary company) as of December 31, 2016 (JD 505,643 as of December 31, 2015).

** Represents companies in which the Bank has voting rights in their Boards of Directors.

*** Interest rate ranges from 7.3% to 8% .

**** Interest rate ranges from 1.25% to 3.25% .

- The Bank has three members on the Board of Directors of the United Financial Investments Company, four members in Ejarah for Finance Leasing Company and three members in the board of directors of the administrative company for investment and financial advisory.

Salaries and Remunerations Executive Management:

Salaries Executive management for the Bank and the subsidiary company amounted to JD 3,994,922 for 2016 (against JD 3,845,342 for the year 2015).

39. Fair Value of Financial Assets and Financial Liabilities not Shown at Fair Value in the Consolidated Financial Statements

There are no significant differences between the book value and fair value of the financial assets and liabilities at the end of the year 2016 and 2015.

40. Risks Management

The Board of Directors performs its role in ensuring that the Bank manages the various risks and adopts the policies and procedures that streamline the Bank's risks management through the Risks and Audit Committee. Moreover, the Bank sets the risks acceptable limits (risk appetite). The Risks Management Department evaluates, controls, and recommends mitigating risks, and submits the necessary reports to higher management independently from the other Bank's departments (risk takers) which perform other banking activities in order to ensure the objectivity of the Risks Management Department in analyzing the various risk types.

Furthermore, the Risks Management Department is responsible for the market operating, credit, and liquidity risks (within the Assets and Liabilities Model) of the Bank's local and external branches. It submits its reports to the Risks and Audit Committee within the Board of Directors. These reports are audited by the Internal Audit Department.

Credit risk refers to the risk that a counterparty will default on its credit terms and/or its creditworthiness will deteriorate resulting in financial loss to the Bank.

The Board of Directors periodically reviews the credit risk management policies compatible with the laws and the Central Bank of Jordan instructions after being prepared by the concerned departments. Moreover, the Board of Directors ensures that management of the Bank works according to their policies and executes the related requirements. These policies include the Bank's credit policy through which many factors are determined such as:

- Setting clear requirements, policies, and decision-making procedures relating to the new or to be renewed credit facilities or any material amendment thereon within specified authorities that match the size and specifications of the credit facilities. Among the factors taken into consideration when granting credit are the purpose of the credit facilities and payment sources.
- Taking decisions within qualified management levels. Moreover, the Bank has various credit committees at the executive management level and the Board of Directors level. This is done away from the impact of conflict of interest and in a manner that guarantees the soundness and independence of the evaluation procedures of the customer requesting credit and the related compatibility with the Bank's credit policy requirements.
- Laying out clear and effective policies and procedures for managing and executing credit including continuous analysis of the ability and readiness of the borrower to pay according to contractual terms, monitoring the credit documentation and any credit terms and covenants, and continuously controlling and evaluating guarantees.
- Establishing adequate policies and procedures to ensure evaluation and management of non-performing credit and its classification in addition to evaluating the adequacy of the provisions monthly based on the instructions of the Central Bank of Jordan and other regulatory authorities under which

7. Direct Credit Facilities - Net

The details of this item are as follows:

	December 31,	
	2016	2015
Individuals (retail):	JD	JD
Overdraft accounts*	3,588,010	5,858,850
Loans and promissory notes**	109,586,230	80,920,395
Credit cards	9,076,996	8,073,067
Real estate loans	196,452,307	171,776,740
Companies:		
Large		
Overdraft accounts	246,307,707	324,856,759
Loans and promissory notes**	738,868,655	636,334,800
Small and Medium		
Overdraft accounts*	8,511,888	11,656,768
Loans and promissory notes**	77,477,202	71,723,983
Government and public sector	<u>144,577,428</u>	<u>126,823,943</u>
Total	1,534,446,423	1,438,025,305
 <u>Less:</u> Provision of impairment loss in direct credit facilities	73,120,373	53,758,509
Interest in suspense	<u>14,415,086</u>	<u>11,479,592</u>
Net Direct Credit Facilities	<u>1,446,910,964</u>	<u>1,372,787,204</u>

* These items include JD 7,065,768 as of December 31, 2016, which represents credit facilities granted by the subsidiary companies (against JD 7,442,059 as of December 31, 2015).

** Net after deducting interest and commission received in advance of JD 383,975 as of December 31, 2016 (against JD 679,878 as of December 31, 2015).

- Non-performing credit facilities amounted to JD 131,802,453 which is equivalent to (8.6%) of total direct credit facilities as of December 31, 2016 (against JD 124,703,275 which is equivalent to (8.7%) of total direct credit facilities as of December 31, 2015).

- Non-performing credit facilities net of interest and commissions in suspense amounted to JD 117,387,367 which is equivalent to (7.7%) of total direct credit facilities balance after deducting suspended interest as of December 31, 2016 (against JD 113,223,683 which is equivalent to (7.9%) of total credit facilities balance after deducting suspended interest as of December 31, 2015).

- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to JD 80,146,314 which is equivalent to (5.2%) of total direct credit facilities as of December 31, 2016 (against JD 45,347,219 which is equivalent to (3.2%) as of December 31, 2015).

- Direct credit facilities include facilities granted to one customer in an amount of JD 37.2 million net after deducting interest and commissions in suspense as of December 31, 2016 with acceptable collaterals of around JD 1.9 million as per the Central Bank of Jordan arrangement. The provision of impairment against these direct credit facilities amounted to JD 31.8 million as of December 31, 2016 based on the arrangements with the Central Bank of Jordan with regards to the calculation of the provision of impairment loss for one direct credit facilities customer, whereby the remaining provision will be gradually allocated during the year 2017. In case of cordial ownership for the guarantees, the provision of impairment loss will be gradually taken for the remaining balance.

the Bank operates. This is in addition to a clear policy for writing off debt. Moreover, the Board of Directors approves the adequacy of these provisions.

- The Bank has an independent department that follows up on troubled debts through amicable settlements prior to dealing with them legally.
- Determining the type and size of the required guarantee is based on the customer's credit risk evaluation according to clear acceptance procedures and customer's evaluation standards.

Periodically monitoring the fair value of the guarantees. In case their value becomes less than what is specified in the loan terms, the customer is required to provide more guarantees. Upon assessing the adequacy of the provisions, the necessary evaluation of the guarantees is performed.

Disposing of any guarantee owned after repayment of the customer's debts. In general, seized real estates are not used for the Bank's operations.

- The Bank has an internal credit rating system for its customers documented and approved by the Board of Directors. Any factor contributing to the customer's default is considered in a manner that helps in measuring and rating the customer's risks, and consequently, facilitating the decision-making process and the pricing of credit facilities.
- The Bank has clear rating standards taking into consideration the various financial and non-financial factors. The credit rating system is reviewed and evaluated independently from the credit department through the Risks Management Department in coordination with the concerned departments.
- The Bank has specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings and the necessity to obtain prior approvals for any override. These controls and ceilings are reviewed and amended periodically, if necessary. Moreover, there are ceilings specified and approved by the Board of Directors relating to dealing with various banks, countries, and economic sectors.
- Providing the Board of Directors with a clear picture and analysis of the credit portfolio through the Risks Management Department that clarifies its quality and its various classifications and any concentrations therein, in addition to historical and banking benchmarks.

The Bank adheres to the instructions of the Central Bank of Jordan relating to credit concentration and related parties'. The Bank deals with them on an aggregate basis and accords them special care, exercises control, and expresses explicit and clear disclosure thereon when preparing the Bank's consolidated financial statements. The required credit facilities are presented by the related parties to the Board of Directors provided that the persons granted the credit facilities have no influence over the Board of Directors, and receive no preferential treatment over the Bank's customers.

Credit risk exposure (after the provision for impairment loss and interest in suspense and before guarantees and other risks - mitigating factors):

	December 31,	
	2016	2015
<u>On- Consolidated Statement of Financial Position Items</u>	JD	JD
Balances at the central banks	239,266,173	362,947,946
Balances at banks and financial institutions	212,859,226	224,544,517
Deposits at banks and financial institutions	14,166,627	9,107,715
Direct Credit Facilities:		
Individuals	115,165,635	89,231,558
Real estate loans	189,161,732	167,065,964
Companies		
Large companies	914,565,767	908,583,684
Small and medium companies (SMEs)	83,440,402	81,082,055
Government and public sector	144,577,428	126,823,943
Bonds, Bills and Debentures:		
Financial assets at fair value through profit or loss	58,910,574	64,457,298
Financial assets at amortized cost	479,195,403	505,749,976
Other assets	24,326,679	16,047,056
<u>Off- Consolidated Statement of Financial Position Items</u>		
Letters of guarantee	262,406,420	261,095,496
Letters of credit	76,808,289	62,756,075
Letters of acceptance	42,337,535	31,155,737
Unutilized credit facilities ceilings	113,959,438	93,298,999
Total	2,971,147,328	3,003,948,019

Credit exposures according to the degree of risk are categorized according to the following table:

December 31, 2016	Companies				Government and Public Sector	Other Assets	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
	Individuals	Real Estate Loans	Large	Small and Medium					
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	789,118	1,854,765	10,499,159	4,791,180	80,132,353	-	448,400,194	239,266,173	785,732,942
Acceptable risk	111,033,395	172,823,180	766,521,333	77,157,099	64,445,075	24,326,679	87,988,301	227,025,853	1,531,320,915
Of which is due (*):									
within 30 days	1,065,876	455,314	4,667,880	778,992	-	-	-	-	6,968,062
From 31 to 60 days	1,686,904	540,178	11,876,117	3,108,662	-	-	-	-	17,211,861
Watch list	3,701,107	4,581,333	102,671,206	1,643,667	-	-	-	-	112,597,313
Non-performing:									
Substandard	2,277,615	1,128,628	274,841	317,654	-	-	-	-	3,998,738
Allowance provided	1,492,655	2,731,719	188,762	442,766	-	-	-	-	4,855,902
Bad debt	<u>2,957,346</u>	<u>13,332,682</u>	<u>105,021,061</u>	<u>1,636,724</u>	<u>-</u>	<u>378,078</u>	<u>1,717,482</u>	<u>-</u>	<u>125,043,373</u>
Total	122,251,236	196,452,307	985,176,326	85,989,090	144,577,428	24,704,757	538,105,977	466,292,026	2,563,549,183
Provision for impairment loss	6,442,539	5,471,122	59,072,935	2,133,777	-	-	-	-	73,120,373
Interest in suspense	<u>643,062</u>	<u>1,819,453</u>	<u>11,537,660</u>	<u>414,911</u>	<u>-</u>	<u>378,078</u>	<u>-</u>	<u>-</u>	<u>14,793,164</u>
Net	<u>115,165,635</u>	<u>189,161,732</u>	<u>914,565,767</u>	<u>83,440,402</u>	<u>144,577,428</u>	<u>24,326,679</u>	<u>538,105,977</u>	<u>466,292,026</u>	<u>2,475,635,646</u>

Credit classification:

From AAA to -A							3,521,606	118,111,631	121,633,237
From +BBB to -B							42,094,122	235,172	42,329,294
Less than -B							21,456,573	164,173	21,620,746
Unclassified							22,633,482	108,514,877	131,148,359
Governments and public sector							<u>448,400,194</u>	<u>239,266,173</u>	<u>687,666,367</u>
Total							<u>538,105,977</u>	<u>466,292,026</u>	<u>1,004,398,003</u>

December 31, 2015	Companies				Government and Public Sector	Other Assets	Bonds and Treasury Bills	Banks and Other Financial Institutions	Total
	Individuals	Real Estate Loans	Large	Small and Medium					
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Low risk	511,430	1,424,315	9,914,753	3,954,765	45,347,220	-	486,175,075	362,947,946	910,275,504
Acceptable risk	85,496,291	140,175,663	800,880,632	75,389,446	81,476,723	16,047,056	83,394,099	233,652,232	1,516,512,142
Of which is due (*):									
within 30 days	1,754,199	1,099,273	5,643,879	880,923	-	-	-	-	9,378,274
From 31 to 60 days	2,190,443	976,084	11,675,430	3,154,376	-	-	-	-	17,996,333
Watch list	2,025,016	17,145,010	46,249,978	3,330,788	-	-	-	-	68,750,792
Non-performing:									
Substandard	1,937,445	815,547	29,786,775	9,876	-	-	-	-	32,549,643
Allowance provided	2,120,318	1,329,516	297,966	12,432	-	-	-	-	3,760,232
Bad debt	<u>2,761,812</u>	<u>10,886,689</u>	<u>74,061,455</u>	<u>683,444</u>	<u>-</u>	<u>-</u>	<u>638,100</u>	<u>-</u>	<u>89,031,500</u>
Total	94,852,312	171,776,740	961,191,559	83,380,751	126,823,943	16,047,056	570,207,274	596,600,178	2,620,879,813
Provision for impairment loss	5,163,412	3,526,473	43,039,005	2,029,619	-	-	-	-	53,758,509
Interest in suspense	<u>457,342</u>	<u>1,184,303</u>	<u>9,568,870</u>	<u>269,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,479,592</u>
Net	<u>89,231,558</u>	<u>167,065,964</u>	<u>908,583,684</u>	<u>81,082,055</u>	<u>126,823,943</u>	<u>16,047,056</u>	<u>570,207,274</u>	<u>596,600,178</u>	<u>2,555,641,712</u>

Credit classification:

From AAA to -A							-	134,497,034	134,497,034
From +BBB to -B							30,294,078	2,196,286	32,490,364
Less than -B							15,277,478	117,001	15,394,479
Unclassified							37,459,845	96,841,911	134,301,756
Governments and public sector							<u>487,175,873</u>	<u>362,947,946</u>	<u>850,123,819</u>
Total							<u>570,207,274</u>	<u>596,600,178</u>	<u>1,166,807,452</u>

- The whole debt balance becomes due when one of the instalments or interest is due. Moreover, the overdraft account is considered due when it exceeds the ceiling.

- Credit exposures include facilities, balances, deposits at banks, bonds and treasury bills and any other assets that have credit exposure.

The following represents the distribution details of the fair value of collaterals against direct credit facilities valued in accordance with the requirements of the Central Bank of Jordan through independent experts at least once every 2 years. The cash margins balance is stated at fair value based on the exchange rates issued by the Central Bank of Jordan, and it is calculated individually as long as the margins balance does not exceed the credit facilities balance in any way:

December 31, 2016	Companies					Government and Public Sector	Total
	Individuals	Real Estate Loans	Large	Small and Medium			
	JD	JD	JD	JD			
Guarantees against:							
Low risk	789,118	1,854,765	10,499,159	4,791,180	-	17,934,222	
Acceptable risk	43,739,426	167,411,015	289,707,348	24,533,044	3,300,000	528,690,833	
Watch list	630,256	4,581,333	76,162,151	418,988	-	81,792,728	
Non-performing:							
Substandard	609,804	1,128,628	-	45,655	-	1,784,087	
Allowance provided	725,327	2,731,719	-	116,234	-	3,573,280	
Bad debt	2,625,683	13,332,682	46,418,008	1,725,299	-	64,101,672	
Total	49,119,614	191,040,142	422,786,666	31,630,400	3,300,000	697,876,822	

Of it:							
Cash margins	3,629,464	234,226	16,452,796	5,668,002	-		25,984,488
Accepted letters of guarantee	-	-	-	-	3,300,000		3,300,000
Real estate	2,105,095	190,805,916	304,072,535	7,631,526	-		504,615,072
Trade stocks	3,571,740	-	98,384,348	10,538,967	-		112,495,055
Vehicles and equipment	<u>39,813,315</u>	<u>-</u>	<u>3,876,987</u>	<u>7,791,905</u>	<u>-</u>		<u>51,482,207</u>
Total	<u>49,119,614</u>	<u>191,040,142</u>	<u>422,786,666</u>	<u>31,630,400</u>	<u>3,300,000</u>		<u>697,876,822</u>

December 31, 2015			Companies		Government and Public Sector	Total
	Individuals	Real Estate Loans	Large	Small and Medium		
	JD	JD	JD	JD	JD	JD
Guarantees against:						
Low risk	511,430	1,424,315	9,914,753	3,954,765	19,817,882	35,623,145
Acceptable risk	33,689,257	144,765,111	346,381,164	18,459,175	-	543,294,707
Watch list	422,036	9,317,287	16,754,876	311,768	-	26,805,967
Non-performing:						-
Substandard	2,254,378	815,547	24,020,964	-	-	27,090,889
Allowance provided	2,005,908	1,329,515	543,768	467,876	-	4,347,067
Bad debt	2,098,769	10,886,689	23,835,231	665,987	-	37,486,676
Total	40,981,778	168,538,464	421,450,756	23,859,571	19,817,882	674,648,451

Of it:							
Cash margins	4,382,452	445,236	22,131,233	6,881,497	-		33,840,418
Accepted letters of guarantee	-	-	354,500	-	3,300,000		3,654,500
Real estate	3,391,456	168,093,228	282,526,447	12,702,516	16,517,882		483,231,529
Trade stocks	4,543,765	-	112,387,700	2,220,572	-		119,152,037
Vehicles and equipment	<u>28,664,105</u>	<u>-</u>	<u>4,050,876</u>	<u>2,054,986</u>	<u>-</u>		<u>34,769,967</u>
Total	<u>40,981,778</u>	<u>168,538,464</u>	<u>421,450,756</u>	<u>23,859,571</u>	<u>19,817,882</u>		<u>674,648,451</u>

Scheduled Debts:

Scheduled debts represent debts previously classified as non-performing credit facilities, and have been taken out from the framework of non-performing credit facilities according to proper scheduling and classified as watch-list debts. Furthermore, the scheduled debts amounted to JD 854,598 in the year 2016 (JD 8,435,982 in the year 2015).

Restructured debt

Restructuring debts means reorganizing credit facilities in terms of adjusting payments, extending their term, postponing some installments, or extending the grace period. Restructuring unclassified debts amounted to JD 52,209,104 for the year 2016 (JD 428,898 for the year 2015).

Bonds, Bills and Debentures

The following table illustrates the classification of bonds, bills and debentures according to external rating institutions as of December 31, 2016 and 2015:

Rating Grade	Rating Institution	Financial Assets	Within Financial Assets	Total as of December 31,	
		at Fair Value through	at Amortized	2016	2015
		the Income Statement	Cost		
		JD	JD	JD	JD
A+	Fitch	-	3,521,606	3,521,606	-
B	Fitch	-	-	-	6,878,009
BBB	Fitch	-	-	-	-
B-	Fitch	6,700,050	-	6,700,050	2,495,686
BBB-	Fitch	12,239,573	-	12,239,573	3,493,278
B1	Moody's	18,633,593	-	18,633,593	4,179,853
Ba1	Moody's	11,180,818	-	11,180,818	-
Baa1	Moody's	3,476,058	-	3,476,058	7,009,392
Baa2	Moody's	-	-	-	691,530
Baa3	Moody's	-	2,103,603	2,103,603	5,618,683
B+	S&P	-	-	-	3,420,925
BB-	S&P	-	-	-	11,146,100
BBB-	S&P	-	9,217,000	9,217,000	-
D	S&P	-	-	-	638,100
Governmental	-	-	448,400,194	448,400,194	487,175,873
Unclassified	-	6,680,482	15,953,000	22,633,482	37,459,845
Total		<u>58,910,574</u>	<u>479,195,403</u>	<u>538,105,977</u>	<u>570,207,274</u>

Credit risk exposure according to geographical areas is as follows.

Geographical area	Inside Jordan	Other Middle East Countries	Europe	Asia*	Africa*	America	Other Countries	Total
	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	208,798,684	26,347,692	4,119,797	-	-	-	-	239,266,173
Balances at banks and financial institutions	13,905,594	86,941,537	39,822,176	806,271	-	71,185,195	198,453	212,859,226
Deposits at banks and financial institutions	-	8,508,000	5,640,902	17,725	-	-	-	14,166,627
Direct credit facilities:								
For individuals	114,883,543	282,092	-	-	-	-	-	115,165,635
Real estate loans	185,571,836	1,044,974	2,544,922	-	-	-	-	189,161,732
Companies:								
Large	719,812,067	4,196,109	190,557,591	-	-	-	-	914,565,767
Small and medium (SMEs)	83,187,369	253,033	-	-	-	-	-	83,440,402
Government and public sector	139,727,196	4,850,232	-	-	-	-	-	144,577,428
Bonds, Bills and Debentures :								
Within financial assets at fair value through the income statement	20,166,593	4,963,000	20,128,815	13,652,166	-	-	-	58,910,574
Within financial assets carried at amortized cost	464,353,195	-	-	14,842,208	-	-	-	479,195,403
Other assets	20,182,160	313,938	3,118,222	712,359	-	-	-	24,326,679
Total / current year	1,970,588,237	137,700,607	265,932,425	30,030,729	-	71,185,195	198,453	2,475,635,646
Total / comparative figures	2,068,645,241	134,471,860	279,991,106	28,360,146	58,350	43,791,663	323,346	2,555,641,712

* Excluding Middle East countries.

Credit risk exposure according to the economic sector is as follows:

Economic Sector	Financial	Industrial	Services	Trade	Real-estate	Agricultural	Shares	Individuals	Government and Public Sector	Total
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at central banks	239,266,173	-	-	-	-	-	-	-	-	239,266,173
Balances at banks and financial institutions	212,859,226	-	-	-	-	-	-	-	-	212,859,226
Deposits at banks and financial institutions	14,166,627	-	-	-	-	-	-	-	-	14,166,627
Direct credit facilities - net	18,294,625	409,617,456	304,353,066	244,368,251	189,161,995	23,026,269	9,232,005	104,279,869	144,577,428	1,446,910,964
Bonds, Bills and Debentures:										
Within financial assets at fair value through the income statement	29,856,313	3,536,138	-	-	184,482	-	-	-	25,333,641	58,910,573
Within financial assets at amortized cost	30,795,208	-	-	-	-	-	-	-	448,400,195	479,195,404
Other assets	14,352,783	2,965,821	3,100,875	2,027,932	1,879,268	-	-	-	-	24,326,679
Total / current year	559,590,955	416,119,415	307,453,941	246,396,183	191,225,745	23,026,269	9,232,005	104,279,869	618,311,264	2,475,635,646
Total / comparative figures	685,891,504	348,722,261	307,854,630	244,337,217	167,990,419	22,778,179	50,881,257	84,578,520	642,607,725	2,555,641,712

40/a. Market Risk

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, equity instrument prices, and consequently, the change in the fair value of the cash flows of the financial instruments on - and off - the consolidated statement of financial position.

The Bank has specified policies and procedures through which market risks are identified, measured, monitored, and controlled. These policies and procedures are reviewed periodically. Moreover, the Investment Policy Committee studies and recommends them after ensuring their compatibility with the instructions of the Central Bank of Jordan. After that, they are approved by the Board of Directors.

The acceptable risks policy is set within the Treasury operations, and includes ceilings that govern market risks. These ceilings are adopted, and their application is ensured periodically and constantly through monitoring their implementation by the risks management and submitting various periodic reports to the Assets and Liabilities Committee as well as to the Board of Directors.

The Bank has a shares and bonds investment portfolio for trading purposes (financial assets at fair value through the income statement) and adopts the sensitivity analysis method thereon whereby present risks are measured according to the Standardized Approach for calculating minimum capital based on Basel Committee recommendations.

40/b. Interest Rate Risk

Interest rate risk results from the potential change in interest rates, and consequently, the potential impact on the cash flows or the fair value of financial instruments.

The Bank is exposed to interest rate risks as a result of the timing gaps of repricing assets and liabilities. These gaps are periodically monitored by the Assets and Liabilities Committee. Moreover, various hedging methods are used to remain within the acceptable interest rate gap limits.

- Sensitivity Analysis:

For the Year 2016

Currency	Increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(1,080,757)	(3,971,018)
Euro	1	85,421	-
GBP	1	(38,452)	-
Other currencies	1	(9,654)	(50,937)

Currency	(Decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	1,080,757	3,729,553
Euro	1	(85,421)	-
GBP	1	38,452	-
Other currencies	1	9,654	51,725

For the Year 2015

Currency	Increase in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	(763,854)	(3,326,051)
Euro	1	(156,985)	-
GBP	1	(56,997)	-
Other currencies	1	(14,173)	-

Currency	(Decrease) in Interest Rate	Interest Income Sensitivity (Gain / Loss)	Owners' Equity Sensitivity
	%	JD	JD
US Dollar	1	763,854	1,465,621
Euro	1	156,985	-
GBP	1	56,997	-
Other currencies	1	14,173	-

40. /c. Foreign Currencies Risk:

The following table illustrates the currencies to which the Bank is exposed, the potential and reasonable change in their rates against the Jordanian Dinar, and the related impact on the consolidated statement of income. The currencies positions are monitored daily to ensure that they are within the determined limits. Moreover, the related reports are submitted to the Assets and Liabilities Committee and Board of Directors.

For the Year 2016

Currency	Change in Foreign Currency Rate	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Euro	5	1,403	-
GBP	5	18	-
Yen	5	208	-
Other currencies	5	16,480	-

For the Year 2015

Currency	Change in Foreign Currency Rate	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Euro	5	3,552	-
GBP	5	1,091	-
Yen	5	1,079	-
Other currencies	5	125,564	-

Risks of Changes in Shares Prices:

This represents the risk resulting from the decline in the fair value of the investment portfolio of the shares due to the changes in the value of the shares indicators and the change in the value of shares individually.

For the Year 2016

Indicator of	Change in Indicator	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Amman Stock Exchange	5	34,625	(13,387)
Palestine Stock Exchange	5	2,681	16,741
Kuwait Stock Exchange	5	(8,835)	-

For the Year 2015

Indicator of	Change in Indicator	Effect on Profit and Loss	Effect on Owners' Equity
	%	JD	JD
Amman Stock Exchange	5	199,921	123,532
Palestine Stock Exchange	5	(7,399)	(57,345)
Dubai Stock Exchange	5	21,372	25,539
Kuwait Stock Exchange	5	26,813	-

Interest Rate Repricing Gap:

The Bank adopts the assets - liabilities compatibility principle and the suitability of maturities to narrow gaps through categorizing assets and liabilities into various maturities or price review maturities, whichever are nearer, to lower risks in interest rates, studying gaps in the related interest rates, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

Reclassification is made in accordance with the pricing interest periods or maturity, whichever are nearer.

Interest rate sensitivity is as follows:

December 31, 2016	Interest Rate Repricing Gap							Total
	Less than	More than 1	More than	More than	More than 1 Year	More than	Non-Interest	
	One Month	Month up to 3	3 Months up	6 Months up	up to 3 Years	3 Years	Bearing	
Assets:	JD	JD	JD	JD	JD	JD	JD	JD
Cash and balances at central banks	22,949,894	-	-	-	-	-	256,205,542	279,155,436
Balances at banks and financial institutions	75,612,802	102,113,745	-	-	-	-	35,132,679	212,859,226
Deposits at banks and financial institutions	-	-	14,166,627	-	-	-	-	14,166,627
Direct credit facilities - net	463,011,508	130,221,986	115,752,877	593,233,497	79,580,103	65,110,993	-	1,446,910,964
Financial assets at fair value through profit or loss	184,482	-	3,476,058	-	15,221,984	40,028,050	10,794,946	69,705,520
Financial assets at fair value through comprehensive income	-	-	-	-	-	-	27,306,153	27,306,153
Financial assets at amortized cost	13,545,004	44,711,734	42,255,782	44,458,015	240,079,766	94,145,102	-	479,195,403
Property and equipment - net	-	-	-	-	-	-	28,779,027	28,779,027
Intangible assets - net	-	-	-	-	-	-	7,003,148	7,003,148
Deferred tax assets	-	-	-	-	-	-	10,128,723	10,128,723
Other assets	1,583,255	3,010,418	3,960,747	6,172,435	1,772,472	7,452,156	140,823,706	164,775,189
Total Assets	576,886,945	280,057,883	179,612,091	643,863,947	336,654,325	206,736,301	516,173,924	2,739,985,416
Liabilities:								
Banks and financial institutions deposits	331,958,509	10,021,414	8,508,000	31,767,116	-	-	2,029,310	384,284,349
Customers deposits	586,258,164	343,743,859	199,237,556	70,135,708	96,788,065	-	407,237,963	1,703,401,315
Cash margin	23,601,876	8,547,780	7,347,105	6,172,172	8,940,287	-	33,350,654	87,959,874
Borrowed funds	2,036,266	10,600,000	-	5,643,933	10,000,000	5,356,343	-	33,636,542
Other provisions	-	-	-	-	-	-	12,105,531	12,105,531
Provision for income tax	-	-	-	-	-	-	14,567,302	14,567,302
Deferred tax liabilities	-	-	-	-	-	-	2,937,750	2,937,750
Other liabilities	5,912,219	-	-	-	-	-	30,005,693	35,917,912
Total Liabilities	949,767,034	372,913,053	215,092,661	113,718,929	115,728,352	5,356,343	502,234,203	2,274,810,575
Interest Rate Repricing Gap	(372,880,089)	(92,855,170)	(35,480,570)	530,145,018	220,925,973	201,379,958	13,939,721	465,174,841
December 31, 2015								
Total Assets	690,162,594	272,535,292	168,161,171	753,010,334	259,916,960	215,327,978	485,617,174	2,844,731,503
Total Liabilities	859,963,967	355,388,644	207,079,851	116,783,718	115,213,089	6,292,501	729,756,264	2,390,478,034
Interest Rate Repricing Gap	(169,801,373)	(82,853,352)	(38,918,680)	636,226,616	144,703,871	209,035,477	(244,139,090)	454,253,469

Concentration in Foreign Currencies Risk:

December 31, 2016	US Dollar	Euro	Pound Sterling	Japanese Yen	Others	Total
	JD	JD	JD	JD	JD	JD
<u>Assets:</u>						
Cash and balances at the central banks	105,496,912	12,343,629	1,408,538	-	516,940	119,766,019
Balances at banks and financial institutions	151,198,682	25,460,349	10,826,236	806,350	10,571,232	198,862,849
Deposits at banks and financial institutions	8,525,725	-	5,640,902	-	-	14,166,627
Direct credit facilities - net	350,030,180	12,310,007	6	-	155,468	362,495,661
Financial assets at fair value through comprehensive income	18,874,095	18,266	-	-	588,496	19,480,857
Financial assets at amortized cost	72,411,005	-	-	-	-	72,411,005
Financial assets at fair value through profit or loss	50,903,875	-	-	-	8,515,750	59,419,625
Property and equipment	1,426,267	-	-	-	-	1,426,267
Intangible assets	156,383	-	-	-	-	156,383
Other assets	5,702,045	171,259	9,155	-	163,217	6,045,676
Total Assets	764,725,169	50,303,510	17,884,837	806,350	20,511,103	854,230,969
<u>Liabilities:</u>						
Banks and financial institutions deposits	303,990,672	11,402,201	-	-	-	315,392,873
Customers' deposits	405,355,090	38,148,606	17,624,016	784,591	19,628,336	481,540,639
Cash margins	18,727,747	598,318	200,143	16,884	253,096	19,796,188
Provision for income tax	272,631	-	-	-	-	272,631
Other liabilities	3,531,481	126,331	60,321	715	42,650	3,761,498
Total Liabilities	731,877,621	50,275,456	17,884,480	802,190	19,924,082	820,763,829
Net Concentration on Consolidated Statement of Financial Position for the Current Year	32,847,548	28,054	357	4,160	587,021	33,467,140
Off-Statement of Consolidated Financial Position Contingent Liabilities for the Current Year	214,244,233	20,561,260	412,085	464,109	12,556,824	248,238,511

December 31, 2015	US Dollar	Euro	Pound Sterling	Japanese Yen	Others	Total
	JD	JD	JD	JD	JD	JD
<u>Assets:</u>						
Cash and balances at the central banks	47,143,660	5,966,321	1,052,423	-	1,022,332	55,184,736
Balances at banks and financial institutions	109,109,828	62,896,609	11,993,549	338,848	8,542,276	192,881,110
Deposits at banks and financial institutions	7,107,725	-	-	-	-	7,107,725
Direct credit facilities - net	425,478,429	9,453,251	-	-	352,472	435,284,152
Financial assets at fair value through comprehensive income	3,996,992	16,003	-	-	15,789,068	19,802,063
Financial assets at amortized cost	66,693,503	-	-	-	-	66,693,503
Financial assets at fair value through profit or loss	55,832,053	-	-	-	10,237,599	66,069,652
Property and equipment	1,530,460	-	-	-	-	1,530,460
Intangible assets	155,859	-	-	-	-	155,859
Other assets	4,753,427	163,258	8,455	-	150,232	5,075,372
Total Assets	721,801,936	78,495,442	13,054,427	338,848	36,093,979	849,784,632
<u>Liabilities:</u>						
Banks and financial institutions deposits	296,473,771	6,588,867	-	-	-	303,062,638
Customers' deposits	385,795,274	35,652,425	18,996,543	1,025,632	15,325,458	456,795,332
Cash margins	17,922,772	1,995,101	193,254	110,214	315,263	20,536,604
Provision for income tax	299,254	-	-	-	-	299,254
Other liabilities	2,295,915	169,573	60,584	914	66,321	2,593,307
Total Liabilities	702,786,986	44,405,966	19,250,381	1,136,760	15,707,042	783,287,135
Net Concentration on Consolidated Statement of Financial Position for the Current Year	19,014,950	34,089,476	(6,195,954)	(797,912)	20,386,937	66,497,497
Off-Statement of Consolidated Financial Position Contingent Liabilities for the Current Year	151,178,175	9,763,254	233,642	1,562,854	4,856,251	167,594,176

40/ c. Liquidity Risk

First: The following table illustrates the distribution of liabilities (undiscounted) on the basis of the remaining period to the contractual maturity at the date of the consolidated financial statements:

Liquidity risk is defined as the loss to which the Bank might be exposed due to the unavailability of the necessary funds to finance its increased operations or obligations upon their maturity at the appropriate cost and time (considered as part of the Assets and Liabilities Management ALM).

- The Bank adheres to the liquidity ratios set by the Central Bank of Jordan and other regulatory authorities under which the Bank's external branches operate. Liquidity is monitored on a daily basis by the Bank.
- Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

	Less than One Month	More than 1 Month up to 3 Months	More than 3 Months up to 6 Months	More than 6 Months up to 1 Year	More than 1 Year up to 3 Years	More than 3 Years	Not Tied to a Specific Maturity	Total
December 31, 2016	JD	JD	JD	JD	JD	JD	JD	JD
Liabilities:								
Banks and financial institutions deposits	331,958,509	10,021,414	8,508,000	31,767,116	-	-	2,029,310	384,284,349
Customers' deposits	993,496,127	343,743,859	199,237,556	70,135,708	96,788,065	-	-	1,703,401,315
Cash margins	56,952,530	8,547,780	7,347,105	6,172,172	8,940,287	-	-	87,959,874
Borrowed funds	-	-	-	5,643,933	10,000,000	15,956,343	2,036,266	33,636,542
Other provisions	-	-	-	-	-	-	12,105,531	12,105,531
Income tax provision	2,254,318	-	12,312,984	-	-	-	-	14,567,302
Deferred tax liabilities	-	-	-	-	-	-	2,937,750	2,937,750
Other liabilities	16,695,382	2,579,688	2,513,537	3,687,650	3,839,954	6,601,701	-	35,917,912
Total Liabilities	1,401,356,866	364,892,741	229,919,182	117,406,579	119,568,306	22,558,044	19,108,857	2,274,810,575
Total Assets	911,345,066	242,016,408	168,925,699	184,649,754	595,691,197	422,650,312	214,706,980	2,739,985,416

December 31, 2015								
Liabilities:								
Banks and financial institutions deposits	287,225,498	-	-	28,785,477	-	-	-	316,010,975
Customers' deposits	1,202,937,490	336,743,808	191,138,870	66,973,005	103,112,713	-	-	1,900,905,886
Cash margins	53,825,322	9,471,877	8,179,417	7,032,880	8,392,604	-	-	86,902,100
Borrowed funds	-	-	5,000,000	-	6,000,000	13,015,900	-	24,015,900
Other provisions	-	-	-	-	-	-	10,526,597	10,526,597
Income tax provision	-	-	13,238,965	-	-	-	-	13,238,965
Deferred tax liabilities	-	-	-	-	-	-	3,261,015	3,261,015
Other liabilities	16,689,445	2,172,959	2,761,564	3,992,355	3,707,772	6,292,501	-	35,616,596
Total Liabilities	1,560,677,755	348,388,644	220,318,816	106,783,717	121,213,089	19,308,401	13,787,612	2,390,478,034
Total Assets	928,167,484	349,214,232	158,933,104	298,121,424	563,997,736	329,516,310	216,781,213	2,844,731,503

Second: The following table summarizes the maturities of financial derivatives on the basis of the remaining period of the contractual maturity date from the date of the consolidated financial statements:

December 31, 2016	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
	JD	JD	JD	JD
Trading derivatives:				
Currency	-	-	-	-
December 31, 2015	Up to One Month	From One Month to 3 Months	From 3 Months to 6 Months	Total
	JD	JD	JD	JD
Trading derivatives:				
Currency	652,798	-	-	652,798

Third: Off- consolidated statement of financial position items:

December 31, 2016	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
	JD	JD	JD	JD
Letters of credit and acceptances	119,145,824	-	-	119,145,824
Unutilized credit facilities ceilings	113,959,438	-	-	113,959,438
Letters of guarantee	262,406,420	-	-	262,406,420
Operating lease contract liabilities	42,619	3,668,209	11,788,522	15,499,350
Total	495,554,301	3,668,209	11,788,522	511,011,032
December 31, 2015	Up to One Year	From One Year to 5 Years	More than 5 Years	Total
	JD	JD	JD	JD
Letters of credit and acceptances	93,911,812	-	-	93,911,812
Unutilized credit facilities ceilings	93,298,999	-	-	93,298,999
Letters of guarantee	261,095,496	-	-	261,095,496
Operating lease Contract liabilities	258,944	3,561,823	11,145,691	14,966,458
Total	448,565,251	3,561,823	11,145,691	463,272,765

41. Information on the Bank's Business Activities

- a. The Bank is organized, for managerial purposes, into four major sectors. These sectors are measured according to reports used by the Chief Executive Officer and key decision makers at the Bank. Moreover, the Bank owns two subsidiaries: one in the financial brokerage sector, and the other in the finance leasing sector as of the consolidated financial statements date:
- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit facilities, credit cards, and other services.
 - Corporate accounts: This item includes following up on deposits, credit facilities, and other banking services related to corporate customers.
 - Treasury: This item includes providing dealing services and managing the Bank's funds.
 - Others: This industry includes the activities which do not meet the definition of the Bank's business activities mentioned above.
 - Financial brokerage services: This item includes practicing most of the brokerage and financial consultation services.
 - Finance leasing services: This item includes leasing services and real estate development projects.

The following table represents information on the Bank's sectors according to activities:

								Total	
								For the Year Ended December 31,	
	Individuals	Corporations	Treasury	Brokerage	Leasing	Others		2016	2015
	JD	JD	JD	JD	JD	JD	JD	JD	JD
Gross income for the year	19,079,459	59,888,188	31,421,831	1,807,665	4,104,558	4,350,544		120,652,245	127,900,068
<u>Less:</u> Provision of impairment loss in direct credit facilities	<u>3,213,399</u>	<u>16,179,967</u>	<u>-</u>	<u>253,546</u>	<u>136,880</u>	<u>-</u>		<u>19,783,792</u>	<u>20,978,720</u>
Results of Business Sector	15,866,060	43,708,221	31,421,831	1,554,119	3,967,678	4,350,544		100,868,453	106,921,348
<u>Less:</u> Expenditures not distributed over sectors	<u>-</u>	<u>-</u>	<u>-</u>	<u>923,172</u>	<u>768,227</u>	<u>55,684,821</u>		<u>57,376,220</u>	<u>50,454,012</u>
Income before Income Tax	15,866,060	43,708,221	31,421,831	630,947	3,199,451	(51,334,277)		43,492,233	56,467,336
<u>Less:</u> Income tax expense for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,140</u>	<u>799,395</u>	<u>12,575,888</u>		<u>13,486,423</u>	<u>17,055,660</u>
Income for the Year	<u>15,866,060</u>	<u>43,708,221</u>	<u>31,421,831</u>	<u>519,807</u>	<u>2,400,056</u>	<u>(63,910,165)</u>		<u>30,005,810</u>	<u>39,411,676</u>
Capital Expenditures						<u>6,868,104</u>		<u>6,868,104</u>	<u>5,175,407</u>
Depreciation and Amortization						<u>5,568,725</u>		<u>5,568,725</u>	<u>5,228,395</u>
Sector's Assets	284,327,367	1,157,965,465	1,087,388,365	12,827,122	50,638,293	-		2,593,146,612	2,833,415,500
Assets not distributed over sectors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,838,804</u>		<u>146,838,804</u>	<u>11,316,003</u>
Total Assets	<u>284,327,367</u>	<u>1,157,965,465</u>	<u>1,087,388,365</u>	<u>12,827,122</u>	<u>50,638,293</u>	<u>146,838,804</u>		<u>2,739,985,416</u>	<u>2,844,731,503</u>
Sector's Liabilities	1,098,851,126	700,700,317	424,858,641	1,815,316	22,685,197	-		2,248,910,597	2,373,113,408
Liabilities not distributed over sectors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,899,978</u>		<u>25,899,978</u>	<u>17,364,626</u>
Total Liabilities	<u>1,098,851,126</u>	<u>700,700,317</u>	<u>424,858,641</u>	<u>1,815,316</u>	<u>22,685,197</u>	<u>25,899,978</u>		<u>2,274,810,575</u>	<u>2,390,478,034</u>

b. Information on the Geographical Allocation:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations, which represent local operations, mainly in the Hashemite Kingdom of Jordan.

Moreover, the Bank conducts international operations through its branches in Cyprus and Palestine.

The following are the Bank's revenue, assets, and capital expenditures according to geographic allocation:

	Inside Kingdom		Outside Kingdom		Total	
	For the Year Ended		For the Year Ended		For the Year Ended	
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Gross income	104,812,791	113,637,397	15,839,454	14,262,671	120,652,245	127,900,068
Capital expenditures	6,868,104	5,175,407	-	-	6,868,104	5,175,407
	December 31,		December 31,		December 31,	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Total Assets	2,269,777,110	2,407,707,525	470,208,306	437,023,978	2,739,985,416	2,844,731,503

42. Capital Management

a. Description of Capital

Capital is classified in to several types: paid capital, economic capital, and regulatory capital. According to the Companies Law, regulatory capital is defined as the total items determined by the Central Bank of Jordan for regulatory purposes relating to capital adequacy as per the Central Bank of Jordan's instructions.

b. The requirements of the regulatory parties concerning capital and the manner in which they are met.

Instructions of the Central Bank require that paid-up capital be not less than JD 100 million and shareholders' equity-to-assets ratio be not less than 6%. Moreover, the Central Bank's instructions require that the ratio of regulatory capital to assets weighted by risks and market risks (capital adequacy ratio) be not less than 12%, which is considered by the Bank.

The Bank complies with Article (62) of the Banks Law, which requires the Bank to appropriate 10% of its annual net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital. This meets the requirements of the statutory reserve prescribed by the Companies Law.

The Bank complies with Article (41) of the Banks Law, which requires adherence to the limits set by the Central Bank of Jordan relating to the following:

1. The percentage of risks relating to its assets and assets weighted by risks, elements of capital, reserves, and contra accounts.
2. Ratio of total loans to regulatory capital the Bank is allowed to grant to one person, his allies, or to related stakeholders.
3. Ratio of total loans granted to the major ten customers of the Bank to total loans extended by the Bank.

c. Method of Achieving Capital Management Goals.

The Bank considers the compatibility of the size of its capital with the size, nature, and complexity of the risk the Bank is exposed to in a manner that does not contradict the prevailing regulations and instructions. This is reflected in its strategic plans and annual budgets. To be more conservative in hedging against surrounding conditions and economic cycles, the Board of Directors decided, within the Bank's strategy, that capital adequacy ratio be not less than 14%.

When entering into investments, the impact on capital adequacy ratio is considered. Moreover, capital and its adequacy are monitored periodically as capital adequacy ratio is monitored at the Group level and the individual Bank every quarter. Furthermore, capital adequacy is reviewed by internal audit.

No dividends are paid to shareholders out of the regulatory capital if such payment leads to inadherence to the minimum capital requirement. The Bank concentrates on the internal generation of capital, and can resort to public subscriptions to meet expansionary needs and future plans, or the requirements of the regulatory bodies according to specific studies.

Capital Adequacy

On November 31, 2016, the Central Bank of Jordan issued instructions relating to capital adequacy according to Basel III cancelled the instructions relating to the adequacy of regulatory capital according to Basel II.

The Bank manages capital to ensure continuity of its operations and achieve the highest possible return on owners' equity, consisting of capital, as defined by Basel III Convention, as shown in the following table:

	2016
	JD
	(Thousand)
Primary capital for ordinary shareholders (CET 1)	426,167
Regulatory adjustments (deduction from the primary capital for ordinary shareholders)	(22,528)
Supplementary	13,526
Regulatory capital	417,164
Assets Weighted by Risks	2,193,896
Primary capital Adequacy Ratio(CET 1)	18.40%
Ratio of first tranche of the capital	18.40%
Regulatory capital adequacy ratio	19.01%

- * Primary capital has been calculated net of investments in banks and a financial subsidiary company.

- The following table shows the regulatory capital based on Basel II instructions as of December 31, 2015:

	2015 JD (Thousand)
Primary Capital Items:	
Authorized and paid up capital	100,000
Statutory reserve	77,480
Voluntary reserve	143,357
Retained earnings (after deducting proposed dividends and deferred tax assets)	80,149
<u>Less:</u>	
Deferred provisions agreed with the Central Bank of Jordan	10,687
Goodwill and intangible assets	7,065
50% from the investments in insurance companies, financial companies, and significant investments in other companies	<u>6,986</u>
Total Primary Capital	<u><u>376,248</u></u>
Supplementary Capital Items:	
General banking risks reserve	13,353
Pro-cyclicality fluctuation reserve	228
Valuation reserve of financial assets at fair value through other comprehensive income at 100% of the negative change or 45% of the positive change	1,926
<u>Less:</u>	
50% of investments in insurance companies, financial institutions and significant investments in other companies	<u>6,986</u>
Total Regulatory Capital	<u><u>384,769</u></u>
Total Risk - Weighted Assets	<u><u>2,111,023</u></u>
Ratio of regulatory capital	<u><u>18.23%</u></u>
Primary capital ratio *	<u><u>17.82%</u></u>

* Primary capital has been calculated net of investments in banks and a financial subsidiary company.

43. Accounts Managed on Behalf of Customers

There are no investment portfolios managed by the Bank on behalf of customers.

44. Analysis of the Maturities of Assets and Liabilities

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

	December 31, 2016		
	Up to	More than	Total
	One Year	One Year	
	JD	JD	JD
ASSETS:			
Cash and balances at central banks	279,155,436	-	279,155,436
Balances at banks and financial institutions	212,859,226	-	212,859,226
Deposits at banks and financial institutions	14,166,627	-	14,166,627
Direct credit facilities - net	837,397,708	609,513,256	1,446,910,964
Financial assets at fair value through profit or loss	3,660,540	66,044,980	69,705,520
Financial assets at fair value through comprehensive income	-	27,306,153	27,306,153
Financial assets at amortized cost	144,970,535	334,224,868	479,195,403
Property and equipment - net	-	28,779,027	28,779,027
Intangible assets - net	-	7,003,148	7,003,148
Deferred tax assets	-	10,128,723	10,128,723
Other assets	14,726,918	150,048,271	164,775,189
TOTAL ASSETS	1,506,936,990	1,233,048,426	2,739,985,416
LIABILITIES			
Banks and financial institutions deposits	382,255,039	2,029,310	384,284,349
Customers deposits	1,606,613,250	96,788,065	1,703,401,315
Cash margins	79,019,587	8,940,287	87,959,874
Borrowed funds	5,643,933	27,992,609	33,636,542
Other provisions	-	12,105,531	12,105,531
Provision for income tax	14,567,302	-	14,567,302
Deferred tax liabilities	-	2,937,750	2,937,750
Other liabilities	25,476,257	10,441,655	35,917,912
TOTAL LIABILITIES	2,113,575,368	161,235,207	2,274,810,575
NET ASSETS	(606,638,378)	1,071,813,219	465,174,841

	December 31, 2015		
	Up to	More than	Total
	One Year	One Year	
	JD	JD	JD
ASSETS			
Cash and balances at central banks	402,439,784	-	402,439,784
Balances at banks and financial institutions	224,544,517	-	224,544,517
Deposits at banks and financial institutions	9,107,715	-	9,107,715
Direct credit facilities - net	864,687,251	508,099,953	1,372,787,204
Financial assets at fair value through profit or loss	17,666,369	58,552,691	76,219,060
Financial assets at fair value through comprehensive income	-	35,229,279	35,229,279
Financial assets at amortized cost	197,400,350	308,349,626	505,749,976
Property and equipment - net	-	25,801,797	25,801,797
Intangible assets - net	-	7,065,200	7,065,200
Deferred tax assets	-	7,393,577	7,393,577
Other assets	52,778,233	125,615,161	178,393,394
TOTAL ASSETS	1,768,624,219	1,076,107,284	2,844,731,503
LIABILITIES			
Banks and financial institutions deposits	316,010,975	-	316,010,975
Customers deposits	1,797,793,173	103,112,713	1,900,905,886
Cash margins	78,509,496	8,392,604	86,902,100
Borrowed funds	5,000,000	19,015,900	24,015,900
Other provisions	-	10,526,597	10,526,597
Provision for income tax	13,238,965	-	13,238,965
Deferred tax liabilities	-	3,261,015	3,261,015
Other liabilities	25,616,323	10,000,273	35,616,596
TOTAL LIABILITIES	2,236,168,932	154,309,102	2,390,478,034
NET ASSETS	(467,544,713)	921,798,182	454,253,469

45.Fair Value Hierarchy

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

Some financial assets and liabilities of the Bank are evaluated at fair value at the end of each fiscal period. The following table shows the information about how to determine the fair value of these financial assets and liabilities (evaluation methods and inputs used).

	Fair Value					
	December 31,		The Level of	Evaluation Method	Important Intangible	Relation between the Fair Value
Financial Assets/Financial Liabilities	2016	2015	Fair Value	and Inputs used	Inputs	and the Important Intangible Inputs
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Companies shares	10,794,946	11,761,762	Level One	Stated rates in financial markets	N/A	N/A
				Stated rates in financial markets and compare market price for similar financial statement		
Companies bonds	58,910,574	64,457,298	Level One & Two		N/A	N/A
Total	69,705,520	76,219,060				
Foreign currency derivatives contracts	-	741	Level One	Stated rates in financial markets	N/A	N/A
Financial Assets at Fair Value through Comprehensive Income						
Shares with available market price	7,378,426	15,744,333	Level One	Stated rates in financial markets	N/A	N/A
				Stated rates in financial markets and compare market price for similar financial statement		
Shares with no available market price	19,927,727	19,484,946	Level Two		N/A	N/A
Total	27,306,153	35,229,279				
Total Financial Assets at Fair Value	97,011,673	111,448,339				
Financial Liabilities at Fair Value						
Foreign currency derivatives contracts	-	-	Level One	Stated rates in financial markets	N/A	N/A
Total Liabilities at Fair Value	-	-				

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

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

Except for what is set out in the table below, we believe that the carrying amount of financial assets and liabilities shown in the financial statements of the Bank approximates their fair value because the Bank's management believes that the carrying value of the items is equivalent to their fair value. This is due to either maturity or short-term interest rates repriced during the year.

	December 31, 2016		December 31, 2015		The Level of
	Book value	Fair Value	Book value	Fair Value	Fair Value
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Cash at Central Banks	239,266,173	239,253,846	362,947,946	362,986,181	Level Two
Balances at Banks and Financial Institutions	212,859,226	212,729,896	224,544,517	224,643,217	Level Two
Deposits at Banks and Financial Institutions	14,166,627	14,047,787	9,107,715	9,135,700	Level Two
Direct credit facilities	1,446,910,964	1,438,028,896	1,372,787,204	1,380,897,587	Level Two
Financial Assets at Amortized Cost	479,195,403	474,236,347	505,749,976	508,699,397	Level One & Two
Total Financial Assets of Non-specified Fair Value	2,392,398,393	2,378,296,772	2,475,137,358	2,486,362,082	
Financial Liabilities of Non-specified Fair Value					
Banks and Financial Institutions Deposits	384,284,349	383,484,761	316,010,975	316,602,646	Level Two
Customers' Deposits	1,703,401,315	1,698,668,014	1,900,905,886	1,906,064,901	Level Two
Cash Margin	87,959,874	87,609,871	86,902,100	87,316,683	Level Two
Borrowed Funds	33,636,542	33,316,168	24,015,900	24,300,739	Level Two
Total Financial Liabilities of Non-specified Fair Value	2,209,282,080	2,203,078,814	2,327,834,861	2,334,284,969	

The fair value of the financial assets and liabilities for level 2 and level 3 was determined in accordance with agreed pricing models, which reflect the credit risk of the parties dealt with.

46. Commitments and Contingent Liabilities (Off- Consolidated Statement of Financial Position)

a. Credit commitments and contingencies:

	December 31,	
	2016	2015
	JD	JD
Letters of credit	76,808,289	62,756,075
Letters of acceptances	42,337,535	31,155,737
Letters of guarantee:		
Payments	117,327,764	97,056,778
Performance bonds	100,811,325	109,353,459
Other	44,267,331	54,685,259
Unutilized credit facilities ceilings	<u>113,959,438</u>	<u>93,298,999</u>
Total	<u><u>495,511,682</u></u>	<u><u>448,306,307</u></u>

b. Contractual obligations:

	December 31,	
	2016	2015
	JD	JD
Contracts to purchase property and equipment	3,178,260	2,408,198
Construction contracts	1,925,672	1,515,346
Other purchases contracts	<u>1,764,172</u>	<u>1,251,863</u>
Total	<u><u>6,868,104</u></u>	<u><u>5,175,407</u></u>

c. Operating leases amounted to JD 15,499,350 with periods ranging from 1 to 10 years

(JD 14,966,458 as of December 31, 2015).

47. Lawsuits against the Bank

- a. The Bank is a defendant in lawsuits amounting to JD 8,034,406 as of December 31, 2016 (JD 21,771,211 as of December 31, 2015). In the opinion of the Bank's management and its legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of JD 869,544 as of December 31, 2016 (JD 628,682 as of December 31, 2015).
- b. As of December 31, 2016 and 2015, there were no lawsuits against the subsidiary companies.

48. Adoption of New and Revised International Financial Reporting Standards (IFRSs)

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 1, 2016, have been adopted in these consolidation financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

48. b. New and revised IFRSs in issue but not yet effective and not early adopted

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to IFRS 12 for annual periods beginning on or after January 1, 2017
Amendments to IAS 12 <i>Income Taxes</i> relating to the recognition of deferred tax assets for unrealized losses	January 1, 2017
Amendments to IAS 7 <i>Statement of Cash Flows</i> to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	January 1, 2017
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none">• there is consideration that is denominated or priced in a foreign currency;• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and• the prepayment asset or deferred income liability is non-monetary.	January 1, 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	January 1, 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	January 1, 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	January 1, 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied

IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 16 <i>Leases</i> IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	January 1, 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas:	January 1, 2018
<ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. • Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. 	

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. January 1, 2018

IFRS 15 *Revenue from Contracts with Customers* January 1, 2018

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

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

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

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

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

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

The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Bank's consolidated financial statements in respect of revenue from contracts with customers and the Bank's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Bank's consolidated financial statements in respect of its leases. However, It is not a practical to provide a reasonable estimated regarding the claims of applying the standard till the Bank make a review regarding this matter.

Jordan Kuwait Bank

Statement of Disclosure for the Financial Year ending 31/12/2016, in accordance with article (4) of the disclosure regulations, the accounting and auditing standards issued by the Jordan Securities Commission.

Item

4a: Chairman's Statement: Included in the report.

4b/1: Description of main activities: Included in the report.

The Bank operates through its head office in Abdali - Amman and **61** branches in Jordan, in addition to a Regional Management and two branches in Palestine and one branch in Cyprus. Total capital expenditure for the year **2016** amounted to **JOD6.69 million**. The table below shows the Bank's locations and the number of staff at each.

Location	No. of Staff	Location	No. of Staff	Location	No. of Staff
Head Office	543	Al-Rabiyah Branch	10	Al-Rawnaq Branch	9
Main Branch	16	Vegetable Market Branch	10	Southern Sweileh Branch	9
Abdali Branch	18	M.Munawarah St. Branch	13	Irbid Branch	15
Jabal Amman Branch	11	Sweifiyah Branch	11	Wadi Saqra Branch	10
Wehdat Branch	13	Nazzal Branch	9	Al-Husson St. Branch- Irbid	7
Tla' El 'Ali Branch	15	Mecca Mall Branch	10	Yarmouk Univ Branch- Irbid	9
Jabal Al-Hussein Branch	12	Petra University Branch	5	Al-Mafraq Branch	7
Commercial Center Branch	12	Al-Mougablain Branch	11	Al-Karak Branch	9
Abu-Alanda Branch	11	Marj El-Hamam Branch	10	Aqaba Branch	11
Yarmouk Branch	10	Zain Branch	8	Zarqa Branch	12
Wadi El-Seir Branch	12	Samarah Mall Branch	5	Russaifeh Branch	11
Jubaiha Branch	11	Al-Ahliyya University Branch	7	Zarqa Free Zone Branch	10
Amra Branch	11	Baq'ah Branch	10	New Zarqa Branch	9
Abdoun Branch	13	Madaba Branch	8	M. Al-Riyadeah Branch	10
Abu-Nsair Branch	9	Al-Salt Branch	8	King Abdullah II St. Branch - Irbid	9
Marka Branch	11	King Abdullah Bureau Branch	5	Jawal Branch	5
Ibn Khaldoun Branch	8	Khalda Branch	9	Regional Management - Palestine	14
Dabouq Branch	10	Dair Ghbar Branch	8	Nablus Branch	11
City Mall Branch	11	Taj Mall Branch	6	Ramallah Branch	11
Shmeissani Branch	15	Galleria Mall Branch	10	Bethlehem Branch	13
King Hussein Bin Talal St. Branch – Zarqa	8	Hashmi Branch	10	Jenin Branch	10
Abdali Mall Branch	7	Mecca Street Branch	13	Cyprus Branch	8
Tabarbour Branch	9	Zahran Branch	7		
United Financial Investments Co. (Subsidiary)					15
Ejara Leasing Co. (Subsidiary)					19

4b /2: Subsidiaries:

United Financial Investments Company

United Financial Investments Co. (UFICO) was established in 1980. In 1996 the company was restructured as a public shareholding company.

The company enjoys a leading position among the major top firms operating in the ASE. UFICO provides financial services, which are directly connected with local and international financial markets.

In 2002, UFICO became a subsidiary of Jordan Kuwait Bank. The Bank holds 50.22% of the company's capital of JD8 million (USD11.28m) as at December 2016.

The Company's H.Q. is located in Shmeissani, Amman with 15 working employees.

Ejara Leasing Company

Jordan Kuwait Bank established Ejara Leasing Company on January 6, 2011. The company was registered as a private shareholding company with paid-up capital JD10 million (USD14.1m) fully paid by the Bank. In September 2012 Ejara's capital was raised to JD20 million (USD28.2m).

Ejara Leasing Company aims to provide innovative and high quality leasing services to supplement the banking and financing services offered at Jordan Kuwait Bank to be in line with the developments in the financial market, meet the needs of the Bank's clients and support the various economic activities, while developing the concept of financial leasing and providing the Bank's clients with different financing alternatives.

The Company's H.Q. is located in the Mecca Street Branch building, Amman with 19 working employees.

Specialized Management Co. For Investment & Financial Advisory (Sanad Capital)

Sanad Capital was founded on 22/11/2016 as a private limited company with a paid-up capital of JD530 thousand (USD747 thousand) fully paid by the Bank. The company, which commenced its operations during the first quarter of 2017, offers a wide range of financial and advisory services including managing stocks and bonds issued, financial advisory services to companies and family groups, in addition to offering financial opportunities such as establishing real estate investment funds and other financial and advisory services. Sanad Capital received its lead managed and financial advisor licenses from Jordan Securities Commission at the beginning of 2017.

4b/3: Executives' Biography:

1- Members of the Board of Directors:

1. H. E. Mr. Abdel Karim A. Kabariti

Chairman

Date of membership: 15/7/1997

Date of Birth: 1949

Education: Bachelor degree in Business and Finance with Honors from St. Edwards University-USA, 1973.

Current Positions:

- Chairman of the Board of Trustees, Al-Ahliyya Amman University
- Chairman, United Financial Investments Company / Representative of Jordan Kuwait Bank
- Chairman, Algeria Gulf Bank – Algeria / Representative of Jordan Kuwait Bank
- Board Member, Jordan Dairy Company
- Board Member, Burgan Bank – Kuwait

Previous Official & Governmental Positions:

- Member of the Jordanian Senate, Head of the Economics & Finance Committee (2005 - 2007)
- Member of the Jordanian Senate, First Deputy to the Speaker (2000 – 2002)
- Chief of the Royal Court, (1999 - 2000)
- Member of the Twelfth and the Eleventh Jordanian Parliaments (1993 – 1997) and (1989 – 1993) / Head of the Economics & Finance Committee (1993 – 1995)
- Prime Minister, Minister of Foreign Affairs and Minister of Defense (1996 - 1997)
- Minister of Foreign Affairs (1995 - 1996)
- Minister of Labor (1991 - 1993)
- Minister of Tourism (1989 - 1991)

Previous Business Experiences:

- Worked at many financial institutions / private business (1973 – 1989)

2. Mr. Faisal H. Al -Ayyar

Vice Chairman, Representative of United Gulf Bank - Bahrain

Date of membership: 15/7/1997

Date of Birth: 1954

Education: Graduated as a fighter pilot – USA, 1976 and Jordanian Aviation Academy, 1981

Current and Previous Positions:

- Vice Chairman (Executive), Kuwait Projects Co. (Holding) - Kuwait
- Chairman, Panther Media Group (OSN) - Dubai, UAE
- Vice Chairman, Gulf Insurance Group - Kuwait

- Vice Chairman, United Gulf Bank - Bahrain
- Vice Chairman, Mashare'a Al-Khair Est. - Kuwait
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO) – Kingdom Saudi Arabia
- Board Member, Gulf Egypt for Hotels & Tourism Co. - Egypt
- Trustee, American University of Kuwait - Kuwait
- Honorary Chairman, Kuwait Association for Learning Differences – Kuwait

Honors & Awards:

- Kuwait Financial Forum 2009, for contributions to the Kuwait investment sector and success in global financial markets
- Tunis Arab Economic Forum 2007
- Lifetime Achievement Award, Beirut Arab Economic Forum 2007
- Arab Bankers Association of North America (ABANA) Achievement Award in 2005

3. Mr. Masaud M. Jawhar Hayat

Board Member, Representative of Al- Futtooh Holding Co. - Kuwait

Date of Membership: 20/2/2001

Date of Birth: 1953

Education: Bachelor degree in Economics, Kuwait University, 1973 and a High Diploma in Banking Studies, 1975.

Current and Previous Positions:

- Chief Executive Officer of the banking sector, Kuwait Projects Co. (Holding) - Kuwait (2010 – Present)
- Chairman, United Gulf Bank – Bahrain
- Chairman, Syria Gulf Bank - Syria
- Chairman & Chairman of the Executive Committee, Tunis International Bank - Tunis
- Vice Chairman, FIMBank - Malta
- Vice Chairman & Chairman of the Executive Committee, Algeria Gulf Bank - Algeria
- Vice Chairman, Royal Capital Co. – Abu Dhabi
- Deputy Chairman & Chairman of the Executive Committee, Bank of Baghdad - Iraq
- Board Member, KIPCO Asset Management Co. (KAMCO) - Kuwait
- Board Member, Burgan Bank - Kuwait
- Board Member, North African Co.
- Board Member, Mashare'a Al-Khair Est. - Kuwait

4. Mr. Tariq M. Abdul Salam

Board Member, Representative of Kuwait Projects Co. (Holding) – Kuwait

Date of Membership: 15/7/1997

Date of Birth: 1965

Education: Bachelor degree in Accounting, Kuwait University, 1987. Diploma in International Securities, Kuwait, 1996.

Current Positions:

- Chief Executive Officer of the Investment sector, Kuwait Projects Co. (Holding) - Kuwait (2011 - Present)
- Chairman, United Real Estate Company - Kuwait (2010 - Present)
- Vice Chairman, Kuwait Clearing Co. – Kuwait (2004 - Present)
- Vice Chairman, North Africa Co. Holding (2014 – Present)
- Board Member, KIPCO Asset Management Co. (KAMCO) - Kuwait (2013 - Present)
- Board Member, Saudi Dairy & Foodstuff Co. (SADAFCO) – Kingdom Saudi Arabia (2012 - Present)
- Board Member, Qurain Petrochemical Industries Co. (2012 - Present)

Previous Positions:

- Chief Executive Officer, United Real Estate Company- Kuwait (2006-2011)
- Chairman, Burgan Bank - Kuwait (2007 - 2010)
- Vice Chairman, Burgan Bank – Kuwait (2004 - 2007)
- Board Member, Royal Capital – Abu Dhabi (2007 – 2014)
- Board Member, Bank of Kuwait & Middle East – Kuwait (2003 - 2004)
- Board Member, United Gulf Bank – Bahrain (2002 - 2008)
- Board Member, Industrial Bank of Kuwait – Kuwait (2002 - 2003)
- Board Member, KIPCO Asset Management Co. (KAMCO) (1998 - 2009)
- General Manager, KIPCO Asset Management Co. (KAMCO) (1998 - 2006)
- Chairman, Kuwait Clearing Co. – Kuwait (1997 - 2004)
- Board Member, Gulf Insurance Company – Kuwait (1997 - 2001)
- Vice President, Trading and Investment Portfolio Management, Kuwait Investments Projects Co.- Kuwait (1996 – 1999)
- Board Member, Bahrain and Kuwait Insurance Co. – Kuwait (1992-2008)
- Manager, Trading and Global Investment Projects Department, Kuwait Investment Projects Co.-Kuwait (1992 - 1996)

5. Mr. Mohammad A. AlMadi**Board Member**

Date of Membership: 5/9/2016

Date of Birth: 1971

Education: Bachelor degree in Accounting, Yarmouk University, 1992, Master degree in Financing, Jordan University, 1998.

Current Positions:

- Head of Internal Audit, Social Security Investment Fund (2003 – Present)

Previous Positions:

- Internal Audit Department, Central Bank of Jordan (1994 – 2003)
- Arab Bank (1993)
- Accounts Audit, Deloitte and Touche (1992 – 1993)
- Board Member, Jordan Petroleum Refinery Co. Ltd (2010 - 2016)
- Board Member, Jopetrol (2013 – 2016)
- Board Member, Jopetrol Lube Oil (2013 – 2016)

- Board Member, Capital Bank (2011)
- Board Member, Al Daman Company for International Investments (2014 – 2016)
- Board Member, Jordan Real-estate Co. for Development (2006 – 2010)
- Board Member, Areej United Housesing Company (2007 – 2011)

6. Mr. Farouk A. Al -Aref

Board Member

Date of Membership: 15/7/1997

Date of Birth: 1938

Education: Bachelor degree in International Relations, University of Chicago –USA, 1961.

Previous Positions:

- CEO, Gulfcom Telecommunications
- Head of Management Committee, Jordan SADAFCO Food Co. (Until May 2009)
- Deputy General Manager, Al Razi Pharmaceutical Company (1993 - 1999)
- Deputy General Manager, Jordan Kuwait Bank (1988 - 1993)
- General Manager, Nayef Al Dabbous & Sons Co. - Kuwait (1970 - 1988)
- Administrative Manager, Ministry of Public Works - Kuwait (1961 - 1966)

7. Dr. Yousef M. Goussous

Board Member, Representative of Burgan Bank – Kuwait

Date of Membership: 20/2/2001

Date of Birth: 1939

Education: Bachelor degree in medicine, Ain Shams University-Egypt, 1965 and then completed his specialization in heart diseases at Houston University, Texas-USA, 1973.

Current and Previous Positions:

- Deputy Head of Management Committee, Amman Surgical Hospital
- Member of the Jordan Senate (27/9/2016 – Present)
- Member of the Jordanian Senate (2011 – 2013)
- Lecturer on heart disease at the University of Jordan and at the Jordan University for Science and Technology
- Senior consultant at Queen Alia Center for Heart Disease and Surgery
- Served as Manager of Al Hussein Medical Center and Chief of the Royal Medical Services
- Fellow of several distinguished British and American medical institutions
- Holder of several elite civil, military and medical medals of achievement in Jordan and abroad

8. Mr. Mansour A. Louzi

Board Member, Representative of Strategy Company for Investments

Date of Membership: 15/3/2009

Date of Birth: 1961

Education: Bachelor degree in Business Administration and Marketing, St. Edwards University, Texas -USA, 1983.

Current Positions:

- Business Development Manager, Siemens Company - Jordan Branch
- Board Member, United Financial Investments Co. / Representative of Jordan Kuwait Bank

Previous Positions:

- Board Member, Arab Orient Insurance Co. (2009 - 2013)
- Board Member, Jordan New Cable Company (2008 - 2011)
- Administrative Manager, Siemens Company -Jordan Branch (1993 - 2006)
- Board Member, Amman Insurance Company Ltd. (1998 - 2000)
- Board Member, Philadelphia Bank for Investment (1996 - 2000)
- Board Member, National Company for Steel Manufacturing (1995 - 2000)
- Central Bank of Jordan – International Relations Dept. - Investment Unit (1985 - 1993)
- Jordan Armed Forces – Studies & Development Dept. (1984 - 1985)

9. Mr. Bijan Khosrowshahi

Board Member, Representative of Odyssey Reinsurance Co. - U.S.A

Date of Membership: 23/3/2011

Date of Birth: 1961

Education: MBA, 1986 and Bachelor degree in Mechanical Engineering, Drexel University, USA, 1983.

Current Positions:

- President of Fairfax International, London
- Board member, Representative of Fairfax Financial Holdings Limited for the following companies:
 - Gulf Insurance Company – Kuwait
 - Gulf Insurance & Reinsurance Company (GIRI) - Kuwait
 - Bahrain Kuwait Insurance – Bahrain
 - Arab Misr Insurance Group – Egypt
 - Arab Orient Insurance Company – Jordan
 - Alliance Insurance P.S.C. - Dubai
 - BRIT Limited - United Kingdom
 - Commercial International Bank – Egypt

Previous Positions:

- President & CEO, Fuji Fire and Marine Insurance Company, Japan
- President, AIG's General Insurance operations, Seoul, Korea (2001-2004)
- Vice Chairman and Managing Director, AIG Sigorta, Istanbul, Turkey (1997-2001)
- Regional Vice President, AIG's domestic property and casualty operations for the Mid-Atlantic region, USA
- Held various underwriting and management positions with increasing responsibilities, AIG, USA since 1986
- Board member, Foreign Affairs Council
- Board member, Insurance Society of Philadelphia
- Council member, USO, Korea

- Chairman, Insurance committee of the American Chamber of Commerce, Korea
- Member, Turkish Businessmen's Association

10. H.E. Dr. Marwan J. Muasher

Independent Board Member

Date of membership: 25/4/2016

Date of Birth: 1956

Education: PhD in Computer Engineering, Perdue University-USA, 1981, Masters of Science in Computer Engineering, Perdue University-USA, 1978, Bachelor of Science in Computer Engineering, Perdue University-USA, 1977.

Current Positions:

- Vice President for Studies, The Middle East Program, The Carnegie Endowment for International Peace (2010- present)
- Member of the Board of Trustees, American University of Beirut (2007-present)
- Member of the Aspen Ministers Forum (2009- present)
- Advisory Board Member, IMF Middle East Department (2010 – present)
- Advisory Board Member, Purdue University Global Policy Research Institute (2010 –present)
- Advisory Board Member, The Hague Institute for Global Justice (2011-present)
- Board Member, Partners for Demographic Change (2013- present)
- Board Member, The Asfari Foundation (2013 –present)
- Board Member, The Global Centre on Pluralism (2014- present)

Previous Positions:

- Senior Fellow, Yale University (2010-2011)
- Senior Vice President – External Affairs, The World Bank (2007-2010)
- Member of the Jordanian Senate (2005-2007)
- Deputy Prime Minister and Government Spokesperson (7/2005-11/2005)
- Minister of the Royal Court (Chief of Staff) for King Abdullah II of Jordan (4/2005-7/2005)
- Deputy Prime Minister in charge of reform and government performance (2004-2005)
- Minister of Foreign Affairs (2002-2004)
- Jordan's Ambassador to the United States (1997-2002)

11. Mr. Hani K. Hunaidi

Independent Board Member

Date of membership: 25/4/2016

Date of Birth: 1949

Education: Master of Business Administration (MBA), Portland State University –USA, 1980 and Bachelor of Business Administration, American University of Beirut. 1973, Certified Public Accountant (CPA).

Current Positions:

- Chairman, Mediterranean Industries

Previous Positions:

- Chairman, National Ammonia and Chemical Industries (1991- 2009)
- Managing Director, Jordan Kuwait Company for Agriculture and Food Products (1986-1992)
- Project General Manager, Jordan Management and Consultancy Corp. (1984-1986)
- Financial and Administrative Manager, Jordan Securities Corp. (1982-1984)
- Auditor, Touch Ross & Co. (1980-1982)
- Project Senior Accountant, Consolidated Contractor Company (1976-1978)
- Accountant, Safwan Trading & Contracting Co. Kuwait (1973-1974)

12. Mr. Majed F. Burjak

Independent Board Member

Date of membership: 25/4/2016

Date of Birth: 1947

Education: Bachelor degree in Public Administration and Political Science, Jordan University, 1969.

Previous Positions:

- Deputy General Manager/Support Services Group, Jordan Kuwait Bank (2007-2011)
- Assistance General Manager/Operations, Jordan Kuwait Bank (1998-2007)
- Deputy Chairman, Jordan Visa Services Company (1999-2011)
- Assistant General Manager for Technology and Operations, Export and Finance Bank (1996- 1998)
- Senior Business Manager, ANZ Banking Corporation - Australia (1993-1996)
- Country Operations Manager, Grindlays Bank (1969-1993)

13. Mr. Safwan S. Toqan

Independent Board Member

Date of membership: 7/12/2016

Date of Birth: 1942

Education: Bachelor degree in Business Administration, American University - Beirut, 1966, Master degree in Economics, University of South California – USA, 1976, PhD in Economics, University of South California –USA, 1980.

Previous Positions:

- Member of the 26th Jordanian Senate
- Chairman, Amman Stock Exchange (2012-2013)
- Chairman, Jordan Phosphate Mines Company (2000 – 2004)
- General Manager, Social Security Corporation (1994 – 1999)
- Secretary General, Ministry of Planning (1989 – 1994)
- Assistant Professor, Yarmouk University (1981 – 1989)
- Lecturer, University of South California – USA (1975 – 1980)
- Central Bank of Jordan (1966 – 1975)

2- Executive Management:

1. Mr. “Moh'd Yaser” M. Al -Asmar

Position: General Manager

Date of Birth: 1947

Date of joining: 15/9/1990

Education: Bachelor degree in Business Administration, University of Jordan, 1970.

Previous Positions:

- Asst. General Manager, Credit Department (1990 – 1993)
- Asst. General Manager, Credit Administration and Control, Commercial Bank of Kuwait - Kuwait (1971 – 1990)

Previous Memberships:

- Board Member, The Association of Banks in Jordan (2010 - 2015)
- Board Secretary (1993-2014)
- Board Member, Arab Orient Insurance Co./ Representative of Jordan Kuwait Bank (July, 2009- March, 2013)
- Vice Chairman, The Association of Banks in Jordan (2005-2010)
- Chairman and Board Member, Arab Orient Insurance Co. / Representative of Strategy Company for Investments (Jan. 2009-June, 2009)

2. Mr. Tawfiq A. Mukahal

Position: Deputy General Manager – Head of Banking Group

Date of Birth: 1951

Date of joining: 12/10/1991

Education: Secondary School Certificate, 1969.

Previous Positions:

- Asst. General Manager, Credit Dept. (1998 – 2007)
- Executive Manager, Credit Dept. (1993 – 1997)
- Manager, Marketing & Credit Unit (1991 – 1993)
- Manager, Marketing & Credit Dept., National Bank of Kuwait – Kuwait (1971 – 1990)

Memberships:

- Board Member, Jordan Mortgage Refinance Co./ Representative of Jordan Kuwait Bank
- Board Member, Jordan Loan Guarantee Corporation / Representative of Jordan Kuwait Bank

3. Mr. Shaher E. Suleiman

Position: Head of Risk Management & Compliance Group

Date of Birth: 1963

Date of joining: 16/5/1999

Education: Master degree in International Banking, Heriot-Watt University – U.K., 1998.

Previous Positions:

- Asst. General Manager – Internal Audit Dept. (1999-2009)
- Worked at the Central Bank of Jordan (1988 – 1999)

4. Mr. William J. Dababneh

Position: Head of Treasury & Investment

Date of Birth: 1957

Date of joining: 27/8/1994

Education: Secondary School Certificate, 1975.

Previous Positions:

- 17 Years of experience in various banks and the last was Arab Jordanian Investment Bank (1990 – 1994)

5. Mrs. Hiyam S. Habash

Position: Head of Finance

Date of Birth: 1955

Date of joining: 6/2/1999

Education: Diploma in Applied Science, American Lebanese University, 1978.

Previous Positions:

- Financial Manager, New English School (1992 – 1997)
- Financial Manager, Petra Bank (1978 – 1989)

6. Mr. Haethum S. Buttikhi

Position: Head of Retail & Private Banking

Date of Birth: 1977

Date of joining: 1/6/2003

Education: Royal Military Academy, Sandhurst - U.K., 1996.
Bachelor degree in Political Science & International Relations, Kent University – U.K., 2000.

Previous Positions:

- Executive Manager, Private Banking Unit (2006 - 2007)
- Manager, Main Branch (2003 - 2005)

Memberships:

- Chairman, Ejara Leasing Co. (fully owned subsidiary) (2011 – Present)
- Board Member, United Financial Investments Co. (2005 – Present)
- Vice Chairman, Middle East Payment Services (MEPS) / Representative of Jordan Kuwait Bank (2009 – Present)
- Board Member, Jordan Phosphate Mines Co./ Representative of Jordan Kuwait Bank (2012 – 14/4/2016)

7. Mr. Abdel Kareem M. Frieihat

Position: Head of Operations & Information Technology

Date of Birth: 1966

Date of joining: 6/10/2013

Education: Bachelor degree in Electrical Engineering, Mu'tah University, 1988

Previous Positions:

- CEO, Almanar CroweHorwath – Saudi Arabia (2011-2013)
- Chief Information Officer, Bank Al Jazira - Saudi Arabia (2001-2011)
- Secretary General, Ministry of Information and Communication Technology - Jordan (2007-2008)
- General Manager, ComNet (1999-2001)
- Communications Consultant, Housing Bank for Trade and Finance (1995-1999)
- Communications Engineer, Communications Dept. Jordanian Armed Forces (1988-1995)

8. Mr. Zuhdi B. Al-Jayousi

Position: Head of Corporate Credit

Date of Birth: 1970

Date of joining: 6/9/1997

Education: Bachelor degree in Accounting, Al- Ahliyya Amman University, 1994.

Previous Positions:

- General Banking Experience, Jordan & Gulf Bank, (1994 –1997).

Memberships:

- Board Member, Comprehensive Leasing Co. / Representative of Jordan Kuwait Bank (2006 - Present)

9. Mr. Ibrahim E. Kashet

Position: Head of Legal Affairs

Date of Birth: 1962

Date of joining: 1/4/1989

Education: Bachelor degree in Law, University of Jordan, 1986

Previous Positions:

- Legal Department (2000 – Present)
- Credit Department (1994 – 2000)
- Credit Follow Up Department (1989 – 1994)

Memberships:

- Board Member, Ejara Leasing Co. (fully owned subsidiary)

10. Mr. Ibraheem S. Al-Hanash

Position: Regional Head – Palestine Branches

Date of Birth: 1957

Date of joining: 1/2/1981

Education: Bachelor degree in Accounting, Philadelphia University – Jordan, 1999.

Previous Positions:

- Jordan Kuwait Bank – Jordan (1981-2007)

Memberships:

- Board Member, The Arab Hotels Co. – Palestine/ Representative of Jordan Kuwait Bank (2013 – Present)

11. Mr. Moh'd J. Azem Hammad

Position: Head of Risk Department

Date of Birth: 1972

Date of joining: 10/8/1999

Education: Master degree in Banking & Finance, The Arab Academy for Banking & Financial Studies, 1999

Previous Positions:

- General Banking Experience, Arab Real Estate Bank, (1994 –1999).

Memberships:

- Board Member, Ejara Leasing Co. (fully owned subsidiary) (2013 – Present)

12. Mr. Sa'ed M. Tu'meh:

Position: Head of Compliance Department

Date of Birth: 1970

Date of joining: 1/5/2001

Education: Bachelor degree in Accounting, University of Jordan, 1992

Previous Positions:

- General Banking Experience, Housing Bank, (1992 –2001)

13. Mr. Abdallah I. Mismar

Position: Head of Administrative Affairs Dept.

Date of Birth: 1973

Date of joining: 5/3/2000

Education: Bachelor degree in Law, Al-Ahliyya Amman University, 1997

Previous Positions:

- Legal Affairs Department at Ministry of Interior (1997-2000)

14. Mr. Daoud A. Issa

Position: Head of Human Resources Department

Date of Birth: 1973

Date of joining: 18/11/2012

Education: Bachelor degree in Economics, Yarmouk University, 1998

Previous Positions:

- Head of HR planning and budget and Head of Personnel, Qatar Petroleum and its affiliated companies - Qatar (2004-2012)
- Personnel Manager, Lotus Trading and Contracting Company – Qatar (2001 – 2004)
- Personnel and Public Relations Manager, Engineering Technical Contracting Company – Jordan (2000-2001)

15. Mr. Ibraheem F. Taani

Position: Head of Internal Audit Department

Date of Birth: 1964

Date of joining: 4/11/2013

Education: Master degree in finance and banking, Arab Academy for Banking and Financial Sciences, 1994

Previous Positions:

- Head of Internal Audit, Standard Chartered Bank – Jordan (2011-2013)
- Executive Vice President, ABC Investment (2009-2011)
- Chief Financial Officer, Aloula Geojit – KSA (2007-2009)
- Head of Examiners/ Inspectors - Central Bank of Jordan (1989-2007)
- Financial Analyst, Jordan Securities Commission (1988-1989)

16. Mr. Ibrahim F. Bisha

Position: Co-Head, Treasury, Investment & Intl. Relations

Date of Birth: 1971

Date of joining: 19/6/2001

Education: Master degree in Business Administration, Maastricht School of Management – Cyprus, 2005

Previous Positions:

- Banking, Jordan Kuwait Bank (Cyprus Branch), (2001 – 2006)
- Banking, Al-Jazeera Bank – Saudi Arabia, (1999 – 2001)
- Banking, Dar Ithmar Financial Services, (1997 – 1999)
- Banking, Amman Investment Bank, (1992 – 1997)

Memberships:

- Board Member, United Cable Industries Co. / Representative of Jordan Kuwait Bank

17. Dr. Makram A. Al- Qutob

Position: Co-Head, Corporate Credit

Date of Birth: 1965

Date of joining: 16/5/2004

Education: PhD in Accounting, Arab Academy for Banking and Financial Sciences, 2009.

Previous Positions:

- Arab Bank (1998-2004)
- Arab Thought Forum (1990-1998)

Memberships:

- Board Member, Al-Isra Education & Investment / Representative of Jordan Kuwait Bank

4b/4: Shareholders who own 1% or more of the Bank's shares (2016 & 2015)

Shareholder	Nationality	No. of Shares 31/12/2016	%	No. of Shares 31/12/2015	%	Ultimate Beneficiary	Mortgaged Shares
Al Rawabi International Real Estate Co.	Kuwaiti	50,926,827	50.927	50,926,827	50.927	Kuwait Projects Company (Holding) (KIPCO)	-
Social Security Corporation	Jordanian	21,041,644	21.042	21,041,644	21.042	Itself	-
Odyssey Reinsurance Company	American	5,850,000	5.850	5,850,000	5.850	Fairfax Financial Holdings	-
Orient Holding Company	Kuwaiti	1,097,246	1.097	1,097,246	1.097	Itself	-
Proudstar Trading Ltd.	Cypriot	1,052,793	1.053	1,052,793	1.052	Itself	-
Kuwait Wealth Holding Ltd.	Virgin Islands	1,000,000	1.000	1,000,000	1.000	Itself	-

4b/5: Competitive position: The Bank operates within the Jordanian banking sector, which includes 25 local and foreign banks. The Bank has 61 branches in Jordan, 4 branches in Palestine and a branch in Cyprus. The Bank's main activities include the acceptance of deposits, granting credit, and offering banking and investment services to various economic sectors, institutions and individuals. The Bank's share of the total banking facilities in Jordan was 5.51% and 4.98% of total deposits as at 31/12/2016.

4b/6: There are no suppliers who obtained more than 10% of the total Bank's purchases for the year 2016.

4b/7:

- The Bank does not enjoy any governmental concessions or protection in accordance with the prevailing rules and regulations.
- The Bank does not have any patents or franchise rights acquired by the Bank.

4b/8: There has been no material effect on the Bank's operations, products or competitiveness as a result of any government or international organizations' decisions.

4b/9: Human Resources, Training and Organizational Structure:

Total number of employees as at 31/12/2016 was (1217) of whom (59) were employed at the Palestine Regional Management Office and Branches– Palestine and (7) at Cyprus branch. In addition, there were (34) employees at the Subsidiary companies.

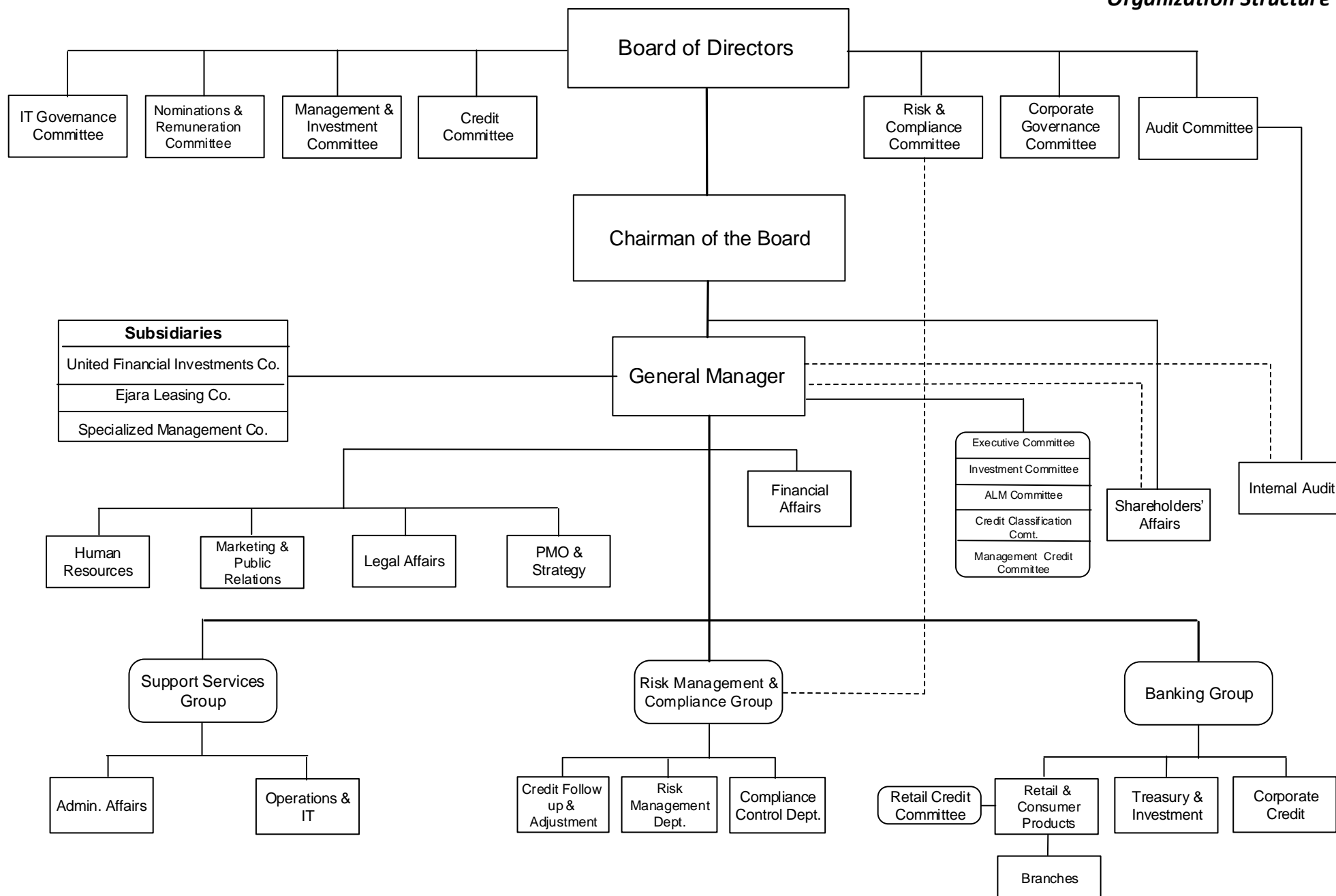
Staff educational qualifications:

Qualification	Jordan Kuwait Bank	United Financial Investments Co.	Ejara Leasing Co.
PhD	1	-	-
Masters	67	2	1
Higher Diploma	6	-	-
Bachelor	927	6	15
Diploma	125	3	1
Secondary School Certificate	31	4	2
Pre- Secondary School Certificate	60	-	-
Total	1217	15	19

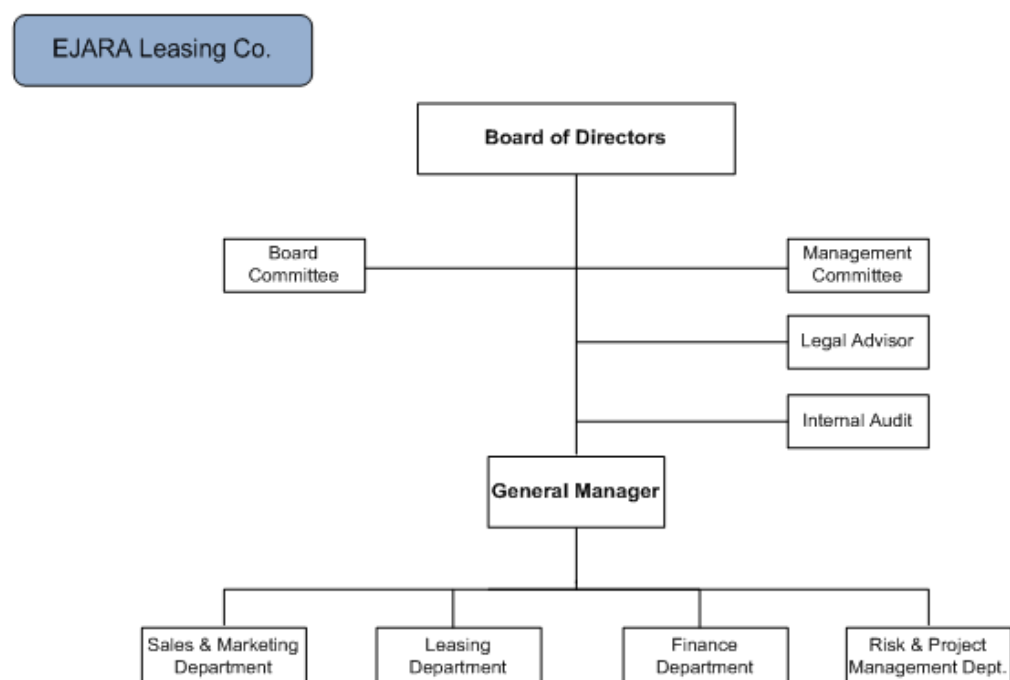
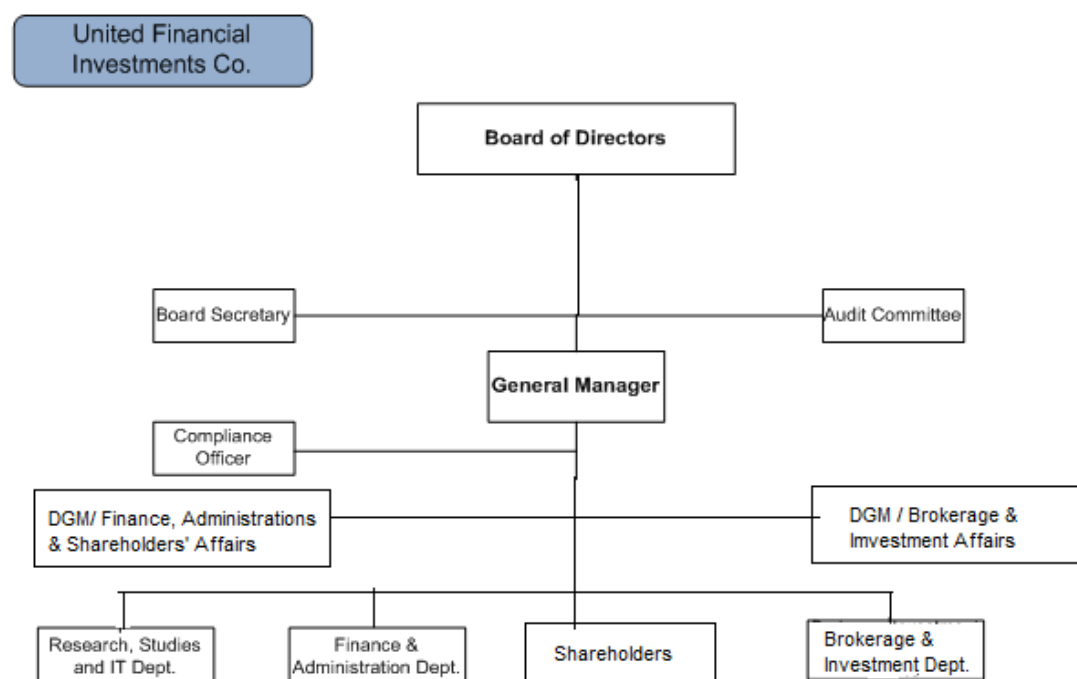
Staff training during 2016:

	External Training		Internal Training		Total	
Training Subject	No. of Courses	No. of Participants	No. of Courses	No. of Participants	No. of Courses	No. of Participants
Specialized Banking	16	50	93	1400	109	1450
Accounting & Financial Management	6	37	4	65	10	102
Treasury & Investment	4	12	-	-	4	12
Inspection, Audit & Control	13	22	1	14	14	36
Administrative & Engineering Services	2	2	-	-	2	2
Public Relations and Marketing	7	10	-	-	7	10
English Language	21	21	6	76	27	97
IT & Banking Systems	6	15	25	381	31	396
Credit Cards	1	3	9	253	10	256
Insurance	1	2	2	39	3	41
Human Resources	3	3	-	-	3	3
Project Management	1	1	-	-	1	1
Risk Management	11	25	12	221	23	246
Compliance, AML & Fraud	3	12	31	605	34	617
Personal and Behavioral Skills	-	-	40	630	40	630
Legal	-	-	3	56	3	56
Occupational Health & Safety	-	-	1	13	1	13
Total	95	215	227	3752	322	3968

JORDAN KUWAIT BANK
Organization Structure



Organization Structure JKB Subsidiaries



4b /10: Description of risks: Included in the report.

4b /11: Achievements during 2016: Included in the report.

4b /12: There had been no financial effects of non-recurring operations that do not fall within the Bank's core business activity during 2016.

4b/13:

**Changes in Net Profit, Dividend, Shareholders' equity
and Share price (2012-2016)**

Amounts in Thousand JOD

<u>Year</u>	<u>Profit before tax</u>	<u>Dividend</u>		<u>Bank Shareholders' Equity</u>	<u>Share / JOD</u>
		<u>Bonus Shares</u>	<u>Cash</u>		
2012	63,345	-	20%	374,085	3.030
2013	66,035	-	20%	404,526	3.890
2014	62,895	-	20%	431,784	4.290
2015	56,467	-	20%	448,579	4.100
2016	43,492	-	20%	459,693	3.940

4b/14: Financial Position: Included in the report.

4b/15: Future Plan: Included in the report.

4b/16: Auditors' Fees: Auditors' fees for the Bank and its subsidiaries in 2016 amounted to JOD 248,559.

4b/17: Shares owned by the Board Members during 2016 & 2015:

	Name	Position	Nationality	Shares 31/12/2016	Shares 31/12/2015
1	H.E. Abdel Karim A. Kabariti	Chairman	Jordanian	1,146	1,146
2	United Gulf Bank - Bahrain	Vice Chairman	Bahraini	335,869	369,897
	Mr. Faisal H. Al-Ayyar	Representative of United Gulf Bank	Kuwaiti	10,000	10,000
3	Burgan Bank	Board Member	Kuwaiti	1,000	1,000
	Dr. Yousef M. Goussous	Representative of Burgan Bank	Jordanian	8,666	8,666
4	Social Security Corporation	Board Member	Jordanian	21,041,644	21,041,644
	Mr. Mohammad A. AlMadi	Representative of Social Security Corporation	Jordanian	-	-
5	Strategy Company for Investments	Board Member	Jordanian	465,631	465,631
	Mr. Mansour A. Louzi	Representative of Strategy Company for Investments	Jordanian	64,224	64,224
6	Al- Futtooh Holding Co.	Board Member	Kuwaiti	44,996	44,996
	Mr. Masaud M.Jawhar Hayat	Representative of Al-Futtooh Holding Co.	Kuwaiti	32	32
7	Kuwait Projects Co. (Holding)- Kuwait	Board Member	Kuwaiti	50,996	50,996
	Mr. Tariq M. Abdul Salam	Representative of Kuwait Projects Co. (Holding)	Kuwaiti	14,250	14,250
8	Odyssey Reinsurance Co.	Board Member	American	5,850,000	5,850,000
	Mr. Bijan Khosrowshahi	Representative of Odyssey Reinsurance Co.	American	-	-
9	Mr. Farouk A. Al-Aref	Board Member	Jordanian	14,004	14,004
10	Dr. Marwan J. Muasher	Board Member	Jordanian	137,000	137,000
11	Mr. Hani K. Hunaidi	Board Member	Jordanian	1,049	49
12	Mr. Majed F. Burjak	Board Member	Jordanian	1,000	-
13	Dr. Safwan S. Toqan	Board Member	Jordanian	1,000	-

Shares owned by the Bank Executives during 2016 & 2015

	Name	Position	Nationality	Shares 31/12/2016	Shares 31/12/2015
1	Mr. "Moh'd Yaser" M. Al-Asmar	General Manager	Jordanian	25,000	20,000
2	Mr. Tawfiq A. Mukahal	Deputy G.M. / Head of Banking Group	Jordanian	-	-
3	Mr. Shaher E. Suleiman	Head of Risk Management & Compliance Group	Jordanian	-	-
4	Mr. William J. Dababneh	Head of Treasury & Investment	Jordanian	-	-
5	Mrs. Hiyam S. Habash	Head of Finance	Jordanian	1,600	1,600
6	Mr. Haethum S. Buttikhi	Head of Retail & Private Banking	Jordanian	-	-
7	Mr. Abdel Kareem M. Friehat	Head of Operations & Information Technology	Jordanian	-	-
8	Mr. Zuhdi B. Al-Jayousi	Head of Corporate Credit	Jordanian	-	-
9	Mr. Ibrahim E. Kashet	Head of Legal Affairs	Jordanian	-	-
10	Mr. Ibraheem S. Al-Hanash	Regional Head – Palestine Branches	Jordanian	-	-
11	Mr. Moh'd J. Azem Hammad	Head of Risk Dept.	Jordanian	-	-
12	Mr. Sa'ed M. Tu'meh	Head of Compliance Dept.	Jordanian	-	-
13	Mr. Abdallah I. Mismar	Head of Administrative Affairs Dept.	Jordanian	-	-
14	Mr. Daoud A. Issa	Head of Human Resources Dept.	Jordanian	-	-
15	Mr. Ibraheem F. Taani	Head of Internal Audit Department	Jordanian	-	-
16	Mr. Ibrahim F. Bisha	Co-Head, Treasury, Investment & Intl. Relations	Jordanian	-	-
17	Dr. Makram A. Qutob	Co-Head, Corporate Credit	Jordanian	-	-

Shares held by companies controlled by Board Members

Board Member	Position	Name of controlled Company	Ownership %	Shares of controlled Company in JKB	
				31/12/2016	31/12/2015
Kuwait Projects Co. (Holding)-Kuwait	Board Member	Al Rawabi International Real Estate Co.	96.00	50,926,827	50,926,827
Al- Futtooh Holding Co. – Kuwait	Board Member	Kuwait Projects Co. (Holding)- Kuwait	44.63	50,996	50,996
Kuwait Projects Co. (Holding)-Kuwait	Board Member	Burgan Bank-Kuwait	64.88	1,000	1,000
Kuwait Projects Co.(Holding)- Kuwait	Board Member	United Gulf Bank - Bahrain	83.98	335,869	369,897

Shares owned by the relatives of Board Members and Bank Executives (2016 & 2015)

	Name	Relation	Nationality	Shares 31/12/2016	Shares 31/12/2015
1	Mrs. Hind M. Jaber	Wife of Mr. “Moh'd Yaser” M. Al-Asmar / General Manager	Jordanian	15,000	15,000

4b/18a: Members of the Board of Directors' Remuneration (JOD):

	Name	Position	Board Membership Allowance	Travel, Transportation and meetings Allowances	Total
1	H.E. Abdel Karim A. Kabariti	Chairman	5,000	74,219	79,219
2	Mr. Faisal H. Al-Ayyar	Vice Chairman	5,000	4,254	9,254
3	Representative of Social Security Corporation	Board Member	5,000	5,700	10,700
4	Mr. Masaud M. Jawhar Hayat	Board Member	5,000	6,381	11,381
5	Mr. Tariq M. Abdul Salam	Board Member	5,000	6,981	11,981
6	Mr. Farouk A. Al-Aref	Board Member	5,000	9,100	14,100
7	Dr. Yousef M. Goussous	Board Member	5,000	9,100	14,100
8	Mr. Mansour A. Louzi	Board Member	5,000	10,600	15,600
9	Mr. Bijan Khosrowshahi	Board Member	5,000	8,508	13,508
10	Dr. Marwan J. Muasher	Board Member	3,750	2,870	6,620
11	Mr. Hani K. Hunaidi	Board Member	3,750	4,670	8,420
12	Mr. Majed F. Burjak	Board Member	3,750	4,970	8,720
13	Dr. Safwan S. Toqan	Board Member	1,250	1,000	2,250

4b/18b: Executive Management’s Remuneration (JOD):

	Name	Position	Annual Salary	Travel & Per diems	Committees	Total
1	Mr. “Moh'd Yaser” M. Al-Asmar	General Manager	463,400	7,018	9,500	479,918
2	Mr. Tawfiq A. Mukahal	Deputy G.M. / Head of Banking Group	364,704	6,215	4,200	375,119
3	Mr. Shaher E. Suleiman	Head of Risk Management & Compliance Group	255,312		5,100	260,412
4	Mr. William J. Dababneh	Head of Treasury & Investment	265,312	1,198		266,510
5	Mrs. Hiyam S. Habash	Head of Finance	236,160	4,237		240,397
6	Mr. Haethum S. Buttikhi	Head of Retail & Private Banking	261,984	15,107		277,091
7	Mr. Abdel Kareem M. Frieihat	Head of Operations & Information Technology	230,995	1,743		232,738
8	Mr. Zuhdi B. Al-Jayousi	Head of Corporate Credit	155,132	1,190	800	157,122
9	Mr. Ibrahim E. Kashet	Head of Legal Affairs	153,260	1,582		154,842
10	Mr. Ibraheem S. Al-Hanash	Regional Head – Palestine Branches	153,104			153,104
11	Mr. Moh’d J. Azem Hammad	Head of Risk Dept.	136,924	1,064	600	138,588
12	Mr. Sa’ed M. Tu’meh	Head of Compliance Dept.	130,688	532	600	131,800
13	Mr. Abdallah I. Mismar	Head of Administrative Affairs Dept.	77,980			77,980
14	Mr. Daoud A. Issa	Head of Human Resources Dept.	130,316	2,091		132,407
15	Mr. Ibraheem F. Taani	Head of Internal Audit Department	138,460	3,503	1,500	143,463
16	Mr. Ibrahim F. Bisha	Co-Head, Treasury, Investment & Intl. Relations	143,964			143,964
17	Dr. Makram A. Qutob	Co-Head, Corporate Credit	106,572			106,572

4b/19: Donations: Total donations made by the Bank and its subsidiaries during 2016 amounted to JOD 704,996. Details of which are listed below:

Recipient	Amount / JOD
University Education	182,195
Sports Activities	59,133
Support to Jordanian Writers & Authors	13,752
Training Students from Institutes & Universities	11,954
National Workshops & Conferences	61,560
Charities & Social Activities	277,485
Support to Health Initiatives	50,650
Banking and Financial Culture	39,000
Support for Outstanding Students	3,500
Donations of Branches Abroad	5,767
Total	704,996

4b/20: Contracts, projects and commitments held by the Bank with subsidiaries or sister or affiliate companies or the Chairman or members of the Board of Directors or General Manager or any staff member of the Bank or their relatives:

The Bank entered into transactions with subsidiaries, sister and affiliate companies, major shareholders, members of the Board of Directors, and executive management within the normal Bank activities and applying commercial interest rates and commissions. All facilities granted to stakeholders are considered performing loans and no provisions were allocated for them. Details of such transactions are disclosed in Note 38 to the 2016 consolidated financial statements published in this report.

4b/21: The Bank contributes towards the welfare of the local community and the environment; this was explained in the Activities and Achievements Chapter of this report.

4c/1-5: Financial Statements: Included in the report.

4d: Auditor's Report: Included in the report.

4e: Declarations by the Board of Directors:

4e/1: The Board of Directors hereby declares that there are no material issues that could hinder the business continuity of the Bank during the financial year 2017.

4e/2: The Board of Directors also declares its responsibility for the Financial Statements and that the Bank has an effective control system.

4e/3: Each of the undersigned Board of Directors declares that he did not gain any benefits, either cash or in-kind, as a result of his position at the Bank and was not declared whether be it for himself or any of his related parties during the year 2016.

Chairman and Members of the Board



Mr. Abdel Karim Kabariti



Mr. Faisal H. Al Ayyar



Mr. Farouk A. Al Aref



Mr. Tareq M. Abdul Salam



Mr. Masoud J. Hayat



Mr. Bijan Khosrowshahi



Mr. Mansour A. Louzi



Dr. Yousef M. Goussous



Mr. Mohamad A. Al Madi



Mr. Majed F. Burjak



Dr. Marwan J. Muasher

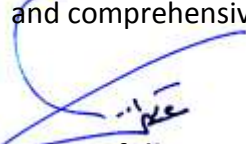


Mr. Hani K. Hunaidi



Dr. Safwan S. Toqan

4e/4: The Chairman of the Board, the General Manager and the Financial Manager hereby declare that all information and data provided in this report are accurate and comprehensive.



Chairman of the Board
Abdel Karim Kabariti



General Manager
"Moh'd Yaser" Al-Asmar



Financial Manager
Hiyam S. Habash

**JORDAN KUWAIT BANK
CORPORATE GOVERNANCE MANUAL
2016**

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CORPORATE GOVERNANCE MANUAL

Introduction

The Central Bank of Jordan defines Corporate Governance as a system through which the Bank is managed and run. This system aims at identifying and achieving the corporate objectives of the Bank, managing the Bank's business safely, protecting the depositors' interests, being committed by due diligence responsibility towards shareholders and other stakeholders and abiding by laws and the Bank's internal policies.

Jordan Kuwait Bank perceives corporate governance as the key to win the confidence of the customers and other parties interested in JKB. Corporate Governance is the methodology through which JKB manages its interrelations and relations with the other involved parties.

JKB believes that the existence of good corporate governance will result in good management of the Bank and help to achieve the Bank strategic objectives. Moreover, JKB has an absolute belief that the presence of good governance at all Jordanian institutions will lead to have efficient institutions and provide the appropriate competitive environment, and so support the national economy in general. As banks play an important role in the financial system, and their businesses depend on their customers' deposits, it is therefore of high importance that they should have good corporate governance.

In view of that, the Board of Directors (BoD) of JKB decided to adopt the Corporate Governance Guide ("Guide") which is prepared in accordance with relevant international best practices, and as per the instructions and guidelines of the Central Bank of Jordan. By adopting this guide, JKB aims at implementing the principles of corporate governance represented in fair treatment of all relevant stakeholders, transparency and disclose JKB actual financial and administrative position, in addition to accountability in terms of the relations between the BoD and executive management, BoD and shareholders, and BoD and other entities. JKB provides the approved version of the Guide on its website www.jkb.com

This guide reflects JKB requirements and policies approved by BoD. The Guide provisions shall be applicable to BoD, senior executive management and staff. JKB adopts strategies, policies and administrative structures of its subsidiaries within the framework of sound governance.

JKB Corporate Governance Objectives

JKB aims at achieving the best standards of business ethics covering all the Bank's business aspects through disclosing JKB results accurately and transparently, and complete abidance by the various laws and regulations that govern JKB work.

The Legal Framework and References

JKB developed this Guide based on the following sources:

- Banking Law In force.
- Companies' Law in force.
- Securities Law in force.
- Deposit Insurance Law in force.
- Regulations and instructions issued under the aforementioned laws and any amendments thereof.
- Corporate Governance Code for Banks in Jordan issued by the Central Bank of Jordan.
- Basel Committee relevant publications.
- OECD countries and the World Bank publications on corporate governance.
- Accounting Standards and International Financial Reporting Standards employed by investors to hold the management accountable.
- Laws in force in countries where JKB has branches and within the limits of JKB business.

In addition to the laws protecting the rights of shareholders, depositors and stakeholders

Corporate Governance Related Parties

1. Shareholders

JKB framework of governance is dedicated to protect shareholders' rights along with serving and fairly treating them, particularly in the light of the laws, regulations and instructions issued by the regulatory authorities. The same also applies to JKB policies and procedures.

2. BoD Members

BoD members, on behalf of the shareholders, manage JKB under the various laws which define their duties and responsibilities (such as, Companies Law, Banks Law ... etc.

3. Employees

All JKB employees, respectively, are held responsible for the implementation of the internal control procedures as part of their responsibilities in achieving the

objectives of the Bank.

JKB employees should have the necessary information, skills, knowledge and authority to carry out JKB businesses. Indeed, this requires full understanding of the Bank, the industry, the market and the risks associated therein.

Through the employees' pursuit to achieve these requirements, they will positively contribute to JKB performance and achievements, and this will lead to job security and satisfaction.

4. Creditors

The different parties that are related to JKB, through contractual relations such as customers, suppliers and creditors.

Organizational Structure

Part of BoD duties is to approve an organizational structure consistent with the nature of JKB activities, to ensure that there are sufficient regulations to implement the adopted strategy, to facilitate effective decision-making process and to implement good corporate governance through:

- Clear and transparent organizational structure.
- Specific targets for each administrative unit.
- Job's specific duties and responsibilities for each administrative unit.
- Authorities, reporting lines and direct supervision channels designated for different managerial positions, as well as proper tasking/ tasks segregation.
- Manuals, policies and work procedures appropriate to execute and supervise operations, particularly defining a job description for all levels of jobs within the organizational structure, including qualifications and experience of staff holding each position.
- Ownership structure which does not hinder corporate governance.
- Independent departments to perform the functions of risk management, audit and compliance.
- Units and employees that are not involved in the daily operations of JKB activities (such as the employees of Credit Review and Middle Office).

BoD Members

- A. The Bank's Board of Directors shall consist of, at least, thirteen members and four of them should be independent Directors as defined by the governance instructions issued by the Central Bank of Jordan on independent member.
- B. None of the Members of BoD shall be an executive Director.
- C. BoD develops a clear and appropriate policy for its members which is consistent with the laws and regulatory requirements.
- D. In spite of what is stipulated in the Companies' Law, it is not permissible to assume both the positions of the board chairman and the general manager. The chairman of the board, board members, or main shareholders may not be

connected to the general manager with a familial relationship below the fourth degree.

BoD Responsibilities

BoD is responsible for the soundness of all JKB operations, including its financial conditions, implementation of the Central Bank requirements besides other supervisory and regulatory requirements relating to JKB businesses, care for stakeholders, management of the Bank within the framework of its internal rules and policies, ensure that effective control over JKB activities is always in place, including JKB activities delegated to third-parties. To achieve all of that, members of BoD and their committees are allowed to have a direct contact with the executive management and BoD Secretary. BoD members are also authorized to seek external assistance, when required, on JKB expense in coordination with the Chairman.

BoD Tasks and Duties

Given the terms of reference and powers of JKB General Assembly, the elected BoD by the General Assembly shall carry out the duties and responsibilities of managing JKB activities for a period of four years effective the date of election. BoD tasks and duties include (but are not limited to):

I. In the area of general supervision, control and draw JKB strategies:

1. Overseeing senior executive management and follow-up their performance and ensure soundness of JKB financial position and solvency. BoD shall adopt appropriate policies and procedures for supervision and control over JKB performance.
2. Defining and approving the Bank's strategy
3. Identifying JKB strategic objectives, directing the executive management to develop a strategy to achieve these objectives, and approving this strategy. BoD shall adopt action plans which are consistent with this strategy.
4. Approving JKB organizational structure which identifies reporting sequence, including BoD committees and executive management.
5. Approving a policy to monitor and review the executive management performance through developing performance indicators to identify measure, and monitor the performance and progress towards the achievement of corporate goals.
6. Ensuring the existence of policies, plans and procedures covering all JKB activities which are consistent with the relevant laws, and that they are communicated to all administrative levels, and are regularly reviewed.
7. Identifying JKB corporate values , drawing clear lines of responsibility and accountability for all JKB activities and promoting a high-level culture of ethical standards, integrity and professional conduct of JKB managers.
8. Taking the appropriate actions to address weaknesses in the internal control systems or any other points identified by the external auditor, adopting internal control systems and reviewing them annually, in addition to approving

appropriate controls which enable BoD to hold the senior executive management accountable for their actions.

II. In the area of policies, instructions, strategies and controls to be endorsed by BoD:

1. Approving appropriate policies and procedures to supervise and control JKB performance.
2. Approving a set of clear boundaries of responsibility and accountability to be committed to, and abided by, all levels of JKB management.
3. Approving an effective policy to ensure the relevancy of BoD members “fit and proper”. The policy should include minimum criteria, and conditions that the BoD candidate and appointed member should have. The policy should be reviewed from time to time and when necessary. BoD should develop adequate procedures and systems to ensure that all BoD members meet relevance standards and that they continue to enjoy them.
4. Approving a policy to ensure the relevancy of the members of senior executive management so that this policy includes minimum criteria, and conditions of laws in force on senior executive management. BoD reviews this policy from time to time, establishes sufficient procedures and systems to ensure that all members of the senior executive management meet the relevance standards and that they continue to enjoy them.
5. Approving a system to measure the performance of the Board and its members, and a system to measure the performance of JKB administrators excluding BoD members and the General Manager.
6. Approving a policy and procedures to address any conflict of interests for JKB is part of a banking group, and disclosure of any conflict of interest may arise as a result of JKB partnerships with companies of the group.
7. Approving policies and procedures for dealings with stakeholders, so they include identifying these parties, taking into consideration the laws, transactions terms, approval procedures and a mechanism to monitor these transactions, so as not to go beyond these policies and procedures.
8. Approving the controls for information transfer among various departments to prevent exploiting them for personal advantages.

III. What BoD should verify:

1. Ensure the existence of adequate and reliable management information systems which cover all JKB activities.
2. Verify that the credit policy includes assessing the quality of corporate governance of JKB clients, mainly public shareholding companies, so that clients' risks are assessed by identifying their strengths and weaknesses according to their governance practices .
3. Ensure that JKB adopts appropriate social initiatives in the field of environment protection, health and education, taking into account financing of SMEs at affordable prices and proper repayment schedules.
4. Ensure that the organizational structure clearly reflects borders of responsibility

and authority.

5. Ensure that senior executive management performs its responsibilities related to the management of JKB daily operations, contributes to the implementation of corporate governance at the Bank, delegates powers to the staff, establishes an effective management structure that boosts accountability and that they carry out tasks in various areas and activities of JKB businesses in a manner that is consistent with the policies and procedures approved by BoD.
6. Ensure that the executive management enjoys a high level of integrity in exercising its business and avoid conflicts of interest.

IV. BoD duties in the area of recruitment, appraisal and rewards:

1. Appointing a general manager enjoys qualities of integrity, technical competency and banking expertise, after obtaining the Central Bank of Jordan's "No Objection" prior to his appointment.
2. Approve, based on the recommendations of the special committee, the appointment of any executive management member after obtaining the Central Bank of Jordan's "No Objection"
3. Approve, based on the recommendations of the special committee, the resignation or service termination, of any executive management member. As for the resignation or service termination of the General Manager, the Audit manager, the Risk Management manager and the Compliance manager CBJ's "No Objection" should be obtained,
4. Forming committees from BoD members, defining their objectives and delegating powers according to a charter identifying such powers. Committees should submit periodic reports to BoD.
5. Endorsing a succession plan for senior members of the executive management of the bank. BoD should review this plan once a year at least.
6. Assessing the General Manager's performance annually in accordance with an appraisal system developed by the Nominations and Remuneration Committee, including developing the KPIs. Factors of the General Manager's performance appraisal should include JKB financial and administrative performance and his achievement of JKB medium and long term strategies and plans. The committee should report the appraisal results to the Central Bank of Jordan.
7. Establishing procedures to determine BoD members' remunerations in accordance with the approved appraisal system.
8. Ensuring the relevance of BoD members and members of the senior executive management in accordance with the JKB adopted policies and laws and regulations in force. BoD should verify that all declarations included in the Central Bank of Jordan instructions are duly signed.
9. Create a system to evaluate its work and that of its members, providing this system includes, as a minimum, the following:
 - Establish specific objectives and specify the role of the board in fulfilling these objectives in a measurable manner.
 - Establish key performance indicators that could be derived from the plans and strategic objectives, and used to measure the board's performance.
 - Communication between the board of directors and the shareholders, and

maintaining this communication periodically.

- Periodical meetings between the board of directors and the senior executive management.
- The member's role in the board of directors' meeting, and comparing his performance with that of others. Feedback must be obtained from the relevant member for the purpose of improving the evaluation process.

V. BoD Duties in the Area of Disclosure and Publication:

1. Ensuring the allocation of a part of JKB website to give details on the shareholders' rights and encourage them to attend and vote at the General Assembly meetings, as well as publishing documents related to meetings, including the full text of the invitation and minutes of meetings.
2. Ensuring that the financial and non-financial information of interest to stakeholders is published.
3. Ensuring that JKB abides by disclosures set by the International Financial Reporting Standards, instructions of the Central Bank of Jordan, other relevant laws and international accounting standards. BoD should also ensure that the executive management is aware of changes taking place to the international financial reporting standards.
4. Ensuring to include disclosures in JKB annual and quarterly reports which give the current or potential shareholders an access to JKB operations results and financial position.
5. Ensuring that the annual report includes data and declarations required by the laws and instructions of the Central Bank of Jordan.
6. Notifying the Central Bank of Jordan by any material information that could adversely affect relevance of any member of the senior executive management.
7. Providing a specific mechanism to ensure communication with stakeholders through disclosures and providing significant information on JKB activities to those stakeholders.

VI. BoD duties in the Area of Internal and External Audit:

1. Adopting the necessary procedures to enhance internal audit effectiveness through: displaying the due importance of the audit process, consolidating it in the Bank and following-up the corrective measures as per the audit notes.
2. Ensuring that the Internal Audit Department is able to carry out its tasks, it has the qualified staff and be certain to provide the Department constantly with appropriate and trained employees.
3. Ensuring and enhancing the principle of internal auditors' independence, placing them at adequate level in JKB's organization structure, ensuring they have access to all records and information and the ability to contact any JKB employee, so that they are able to fulfill the tasks entrusted to them and prepare their reports without any external interference.
4. Adopting an internal audit code which includes duties, authorities and responsibilities of the Audit Department and to be circulated within the Bank.
5. Adopting systems of internal control and monitoring. BoD is to ensure that the

internal and external auditors review the structure of these systems once a year at least. BoD should furnish JKB annual report with information confirming the adequacy of these systems.

6. Verifying that the Internal Audit Department is subject to the direct supervision of the Board Audit Committee, and it reports directly to the Chairman of the Audit Committee.
7. Ensuring the external auditor's independence at all times.
8. Ensuring a regular rotation of the external auditor among audit offices and its subsidiaries and allied companies each seven years at maximum.

VII. BoD Duties in the Area of Compliance:

1. Approving a policy to ensure JKB compliance by all relevant laws, and reviewing this policy on a regular basis and verifying that it is implemented.
2. Approving the duties and responsibilities of Compliance Control Department.
3. Ensuring Compliance Control Department independence and providing it constantly with qualified and trained staff.

VIII. BoD Duties in the Area of Risks:

1. Prior approving any expansion in JKB activities, BoD should take into account related risks and competences and qualifications of Risk Management Department staff.
2. Approving a strategy for risk management and monitoring its implementation. Such a strategy should include the acceptable level of risk, and ensure not exposing the Bank to high risks. BoD should be, acquainted with JKB operational environment and risks associated with it. BoD should ensure that JKB has the tools and infrastructure designated for risk management that are able to identify, measure, control and monitor all types of risk faced by the Bank.
3. Approving an Internal Capital Adequacy Assessment Process. Such a process should be comprehensive, effective and able to identify all risks that JKB may encounter, and that it takes into consideration JKB strategic plan and capital plan. BoD should review this process regularly, verify its implementation, and validate that JKB maintains adequate capital to encounter all risks it may face.
4. Approving JKB acceptable risk document.
5. Verifying that violations on acceptable levels of risk are addressed, including holding the senior executive management accountable for such violations.
6. Ensuring that the Risk Management Department conducts stress testing periodically to measure JKB ability to withstand the shocks and cope with high risks. BoD should play a key role in approving assumptions and scenarios used and discuss the tests results, as well as approving actions to be taken based on these results.
7. Ensuring Risk Management Department independence through submitting its reports to the Risk Management Committee, and granting the Department the necessary powers to be able to obtain information from other JKB departments and to cooperate with other committees to carry out their duties.

Duties of the Chairman of the Board:

1. To establish a constructive relationship between BoD and JKB executive management.
2. To promote the culture of constructive criticism on issues discussed in general and issues where members have various views regarding them, and to encourage debate and vote on those issues.
3. To ensure that all BoD members receive and sign the minutes of previous meetings, and that they receive the agenda of any meeting in advance providing that the agenda includes sufficient written information about topics that will be discussed at the meeting. The Secretary of the Board shall deliver the meeting agenda.
4. To ensure the existence of the code that regulates and sets out BoD scope of work.
5. To discuss the strategic and significant issues in BoD meetings extensively.
6. To provide each BoD member upon being elected with the provisions of laws related to banks activities and the Central Bank instructions related to the work of BoD, including corporate governance instructions, the booklet which explains the member's rights, responsibilities and duties, and duties of the BoD Secretary.
7. To provide each member with a sufficient summary of JKB businesses upon appointment or upon request.
8. To discuss with any new member, with the assistance of JKB legal adviser, BoD duties and responsibilities, particularly the legal and regulatory requirements. This is to be done to clarify the duties, powers and other issues related to BoD membership, including the membership term, dates of meetings, committees' duties, rewards, and the possibility to seek an independent specialized technical advice, if required.
9. To meet the BoD members' needs regarding the development of their experience and their continuous learning. Chairman may allow the new member to attend orientation program taking in consideration the member's banking background.
10. To address an invitation to the Central Bank to nominate a representative to attend the General Assembly meetings prior enough time.
11. To provide the Central Bank with the minutes of meetings of the General Assembly no later than five days as of the date of the Companies' Controller or his/her representative endorsement of the minutes of meeting.
12. To ensure informing the Central Bank of any material information that could adversely affect the relevance of any members of BoD or executive management.

Duties of BoD Member:

1. To have knowledge of laws and principles of JKB banking and operational environment, cope with developments taking place, besides the external developments related to its business, including appointment requirements of JKB senior executive management.

2. To attend BoD and its committees meetings, as needed, and the General Assembly meetings.
3. Not to disclose any JKB confidential information or using them for their or others interest.
4. To give the priority for JKB interests in all transactions with any other company in which he has a personal interest, not to take JKB business opportunities to his own advantage, and to avoid conflict of interest.
5. Disclose to the board in detail of any conflict in interests in case they existed, committing not to attend or participate in the decision taken in the meeting in which this issue is deliberated, and to record this disclosure in the board's minutes of meeting.
6. Allocate sufficient time to carry out his duties as a member of the Board of Directors

The Board Secretary

1. To attend all BoD meetings, record all the deliberations, suggestions, objections, reservations and vote processes on BoD draft decisions.
2. To determine dates of BoD meetings in coordination with the Chairman.
3. To ensure that BoD members sign the minutes of meetings and decisions.
4. To follow up the implementation of BoD decisions and to follow-up any pending issues from the previous meeting.
5. To keep records and documents of BoD meetings.
6. To take the necessary measures to ensure that draft decisions planned to be issued by BoD comply with relevant laws.
7. To prepare for the General Assembly meetings and to cooperate with the BoD committees.
8. To provide the Central Bank with the relevance declarations signed by BoD members.

BoD Meetings

- A. BoD shall convene at a written notice of the Chairman, or Vice-Chairman if he/she is absent, or upon a written notice submitted by a quarter of its members to the Chairman justifying the grounds for such a meeting. If the Chairman or Vice- Chairman do not call for a meeting within seven days effective as of the date of receipt of notice, members who submitted the notice shall have the right to call BoD to convene.
- B. BoD shall convene with the presence of an absolute majority of members at JKB head office or in any other place within the territories of the Kingdom if it is impossible to hold it at JKB head office. BoD decisions shall be issued with absolute majority of members who attend the meeting. If votes are equal, the chairman of the meeting shall be deemed a casting vote.
- C. Voting on BoD decisions shall be in person and carried out by the persons themselves and it could not be by proxy, by correspondence or in any other indirect means.
- D. BoD meetings shall be held six times at least per a fiscal year. There should be a meeting for the BoD every two months.
- E. JKB should record BoD/ Committees minutes of meetings accurately, to record

any reservations raised by any member, and to keep all these records appropriately.

- F. Prior BoD meeting, the senior executive management should provide BoD members with complete and accurate information and the Chairman should ensure doing so.

Responsibility and Accountability Limits

- BoD adopts clear boundaries of responsibility, accountability and commitment and to abide by them at all levels of management in JKB.
- Take the necessary steps to create a clear separation between the authorities of the shareholders who own an influential interest on one side, and the executive management on the other, for the purpose of reinforcing proper Corporate Governance, and hence, create adequate mechanisms to reduce the effect of shareholders who own influential interest, through the following, as an example:
 - That none of the shareholders who own influential interest occupies any position in the executive management.
 - That the top executive management derives its authority from the board only, and work within the mandate granted to it by the board.
- BoD should ensure that JKB organizational structure plainly reflects the lines of responsibility and authority, and that it includes the necessary regulatory levels under the laws and regulations in force.
- Ensure that senior executive management performs their responsibilities related to the management of JKB daily operations, they contribute to the implementation of corporate governance at the Bank, they delegate powers to the staff, they establish an effective management structure that will give a boost to accountability and they carry out tasks in various areas and the activities of JKB businesses in a manner that is consistent with the policies and procedures approved by BoD.
- BoD approves the appropriate controls which enable them to hold the senior executive management accountable for their actions.
- In addition to what is stated in laws, the General Manager shall act as follows:
 1. Develop JKB strategic direction
 2. Implement JKB strategies and policies
 3. Execute BoD decisions
 4. Provide guidance to implement short and long term action plans.
 5. Deliver JKB vision, mission and strategy to the staff.
 6. Inform BoD by all the significant aspects of JKB operations.
 7. Manage JKB day-to-day operations.

The Board Committees:

To further organize the work of BoD and to boost up its efficiency and effectiveness, BoD forms various committees from its members, delegate certain powers and responsibilities to them and name their chairmen. The committees must submit periodical reports to the Board as stipulated in their charters. The existence of these

committees does not absolve BoD to assume direct responsibility for all matters relating to JKB.

BoD member could be a member of more than one committee, except in cases where conflicts of interest may arise.

A. Board Audit Committee:

Committee's Role:

The Board Audit Committee is tasked to carry out the following, in addition to other relevant functions stated in its Charter. The Charter stipulates the right of the committee to get any information from the executive management and its right to call any administrator to attend its meetings. The Audit committee's tasks may not be merged with the tasks of any other committee.

1. The Committee shall review:
 - a) The scope, results and the adequacy of JKB internal and external audit
 - b) Accounting issues that have a significant impact on JKB financial statements
 - c) JKB internal control and monitoring systems.
2. Provide recommendations to BoD regarding the external auditor's appointment, termination, fees and any other related contracting terms, as well as assessing their independence taking into account any other tasks entrusted to them which lie outside the scope of the audit.
3. The Committee shall enjoy the power to obtain any information from the executive management, and has the right to call any administrative officer to attend any of its meetings, if so is stipulated in the committee's charter.
4. Meet with the external and internal auditors and compliance officer once at least annually without the attendance of any of the senior executive management members.
5. Review and monitor procedures that enable the employee to report confidentially any mistake in financial reports or any other matters. The Board Audit Committee shall ensure implementing the necessary arrangements for carrying out an independent investigation and follow the results of the investigation and treat them objectively.
6. Verify that the internal audit staff is rotated to audit JKB various activities every three years at minimum.
7. Verify not to task internal audit staff with any executive duties.
8. Verify that all JKB activities, including outsourced activities assigned to third parties, are subject to audit.
9. The Board Audit Committee shall exercise the role entrusted to it under the Banks Law and other relevant laws. This should include particularly the following:
 - Review and approval of the internal audit plan which includes audit scope and frequency.
 - Ensure that the executive management takes the corrective actions on a timely manner regarding weaknesses in the internal control, and cases of

non-compliance with policies, laws and regulations, and other remarks identified by the internal audit.

- Ensure that JKB is implementing the international accounting and audit standards accurately.
- Review observations stated in the regulatory authorities and external auditor reports and follow-up the correction procedures.
- Review JKB financial statements prior submitting them to BoD, particularly to verify regulatory authorities' orders on capital adequacy, adequacy of provisions taken against the bad debts and all other provisions and to express their opinion in JKB non-performing debts or debts proposed to be deemed as bad debts.
- Ensure that the laws and regulations governing JKB work.
- The Head of Internal Audit Department may attend the Committee meetings, and the Committee may invite any person to seek their opinion on a particular issue.

10. Appraise the Head and staff of Internal Audit Department performance and determine their remunerations.

Committee Members:

The Audit Committee shall comprise of three members. Two of them shall be independent including the chairman of the committee. All members of the Committee should hold academic qualifications and enjoy appropriate practical expertise in areas of accounting, finance or any other disciplines or areas related to JKB work. The Committee chairman shall not be the chairman of the board or the chairman of any other board committee.

B. Board Risk and Compliance Committee:

Committee's Role:

The Board Risk and Compliance Committee is tasked to carry out the following below stated duties at least, in addition to other relevant duties stated in its Charter:

1. Review JKB risk management framework.
2. Review JKB risk management strategy prior to BOD approval.
3. Cope with the developments affecting JKB risk management, and submit periodic reports to BoD.
4. Verify that there is no discrepancy between the actual risks that JKB takes and the level of acceptable risk approved by BoD.
5. Establish appropriate conditions that ensure the identification of fundamental impact of risks and any other activities carried out by JKB which may expose the Bank to higher risks than the acceptable level, report that to BoD and follow-up corrective measures.
6. Review compliance management reports and submit its recommendations to BoD.

Committee Members:

The Board Risk and Compliance Committee shall comprise of, at least, of three members and one of them is to be independent. The Committee membership may include members of the executive management. The committee may invite management representatives or other experts and specialists to attend its meetings.

C. Board Nominations and Remuneration Committee:**Committee's Role:**

Board Nominations and Remuneration Committee is tasked to carry out the following below stated duties at least, in addition to other relevant duties stated in its Charter:

1. Identify qualified persons to join BoD within the members' relevance policy approved by BoD taking into consideration the capabilities and qualifications of the persons nominated. In case of re-nominations, member's attendance and extent of participation in Board meetings should be taken into account.
2. Nominate to BoD qualified persons to join the senior executive management.
3. Ensure BoD members joining workshops or seminars on banking topics, particularly risk management and corporate governance, and the latest developments in the banking business.
4. Determine whether the member meets the requirements of the independent member taking into account the minimum requirements stated in the laws and regulations in force.
5. Supervise the implementation of policies adopted by BoD regarding BoD and senior executive management performance appraisal, including the General Manager.
6. Provide information and summaries on some of the important topics of JKB to BoD members upon request, and ensure updating them constantly about the latest topics related to the banking business.
7. Ensure that the policy of granting remunerations to JKB administrative staff is in place, review it regularly and implement this policy. Also, provide recommendations regarding the General Manager and other members of the senior executive management salaries, remunerations and other privileges. The Internal Audit Department Manager and staff performance appraisal and remunerations are to be determined by the Board Audit Committee.
8. Evaluate the work of the board, its committees, and its members as a whole annually, and it shall inform the Central Bank with the result of this evaluation.
9. Set clear methodology to verify that board members allocate sufficient time to carry out their duties, including (for example) the multi commitment of the member to other boards/bodies memberships/forums...etc.

Committee Members:

Boad Nominations and Remuneration Committee shall comprise of at least three BoD members; the majority of them, including its chairman should be independent. The Committee may invite members or representatives of the management or

other experts and specialists to attend its meetings.

D. Board Corporate Governance Committee:

Committee's Role:

In addition to their duties delegated by BoD, Board Corporate Governance Committee is in charge of directing and supervising the processes of preparing the Corporate Governance Manual, its update and implementation monitoring. The committee is also tasked to verify/perform the following:

- That JKB organizational structure serves the requirements of corporate governance.
- Commitment to the adopted JKB Code of Ethics at the level of BoD and all administrative levels in the Bank.

Committee Members:

Board Corporate Governance Committee shall comprise of, at least, three BOD members, the majority of them are independent and should include the Board Chairman. The Committee may invite members or representatives of the management or other experts and specialists to attend its meetings.

E. Board Credit Committee:

Committee's Role:

1. Grant, modify, renew and restructure of credit facilities that exceed the authorities of the Management Credit Committee, headed by the General Manager, within the limits set by the Board of Directors. The Board of Directors shall take the decisions in matters exceeding the Committee's authorities.
2. The Committee's authority is limited to taking the right decision regarding the facilities that have been recommended for approval by the Management Credit Committee.
3. The Board of Directors may delegate to the Management Credit Committee some or all of this Committee's authorities; in respect of modifying the terms or restructuring of facilities with the need to keep the Board Credit Committee informed of the decisions taken under these authorities.
4. The Committee's authority shall not include the following:
 - a) Granting credit facilities to members of the Board of Directors.
 - b) Writing-off debts.
5. Submit to the Board periodically details of the credit facilities that have been approved by the committee.
6. The Committee's decisions are considered valid by the presence and personal voting of its members, if a member is unable to attend, he may express his opinion through telephone or video, and has the right to vote and sign the minutes of the meeting that have to be duly documented.
7. The work of this committee shall be evaluated by the Board of Directors.

Committee Members:

- The Committee shall comprise of at least five Board members and one of them

may be independent but not a member of the Audit Committee. Senior executive management members may participate in the committee's meetings to present their recommendations. The quorum for meetings of the Committee is the presence of at least four members, and decisions are taken by majority of its members regardless of the number of attendees. The Committee may invite members or representatives of the management or other experts and specialists to attend its meetings.

- The General Manager is the Secretary of the Committee.

F. Board Management and Investment Committee:

Committee's Role:

1. Management issues:

- Approve requests for administrative expenses, procurement contracts, bids, supplies, donations, and generally all commitments and contracts in excess of the powers entrusted to the senior executive management as identified within the Authority matrix and powers endorsed by the Board of Directors.
- Approve requests/offers for the sale of Bank owned properties beyond the limits entrusted to the Senior Executive Management as stipulated in the approved Authority matrix.
- Approve Bank owned real estates' pricing annually or when required.

2. Investment issues:

Approve proposals and requests submitted by the Management Investment Committee on matters beyond its authority as stipulated in the approved authority matrix annexed to the approved investment policy. This includes the following:

- Bank investments in Jordanian dinar in money market and capital market instruments.
- The Bank's investments in foreign currencies in money market, capital market tools and currency exchange operations.

The Board of Directors shall decide on any of the items listed above if they exceed the authority of the Committee, The Committee submits periodic reports to the Board on the details of the items and processes it has approved.

Committee Members:

- This committee shall comprise of five Board non-independent members and it is permissible to include one independent member if he is not a member of the Audit Committee. The quorum for the Committee meetings is the presence of at least three members including the Committee Chairman.
- The Committee shall take its decisions by a majority of the members present and in case of equal numbers of voters, the vote of the Chairman will decide. The Committee may invite members or representatives of the management or other experts and specialists to attend its meetings.
- The General Manager is the Secretary of the Committee.

G. Information Technology Governance Committee

Committee's Role:

The Committee shall undertake the following tasks guided by the Governance and Management of Information Technology and its accompanying Instructions No. 65/2016 dated 25/10/2016 issued by CBJ:

1. Approve the Information Technology strategic objectives and appropriate organizational structures, including Steering Committees at Executive Management Level, particularly (The Information Technology Steering Committee), ensuring the achievement of the Bank's strategic objectives, and realizing the best value-added of projects and investments in Information Technology while utilizing the tools and standards to monitor and ascertain the extent of achievement, such as using the IT Balanced Scorecard system, and calculating the rate of return on investment (ROI) and measuring the investment impact on financial and operational efficiency.
2. Approve the general framework for the control and monitoring of resources and projects, that corresponds to best accepted international practices in this regard, particularly (COBIT) (Control Objectives for Information and related Technology), complying with and facilitating the achievement of objectives and regulations, through the sustainable achievement of corporate objectives, and achieve the information objectives' chart and its associated technology and cover IT governance operations
3. Approve the corporate objectives chart, and its associated Information Technology objectives, considering its legibility as minimum, and define the sub-objectives needed for its achievement.
4. Approve the responsibility chart (RACI Chart) towards the major operations of IT governance and its emanating sub-operations i.e.: The party or parties or the person primarily responsible (Responsible), and those finally responsible (Accountable), and those consulted (Consulted), and those to be informed (informed) towards all operations guided by the standard (COBIT 5 Enabling processes) in this regard.
5. Ensure the existence of a general IT Risk Management Framework that complies and integrates with the Bank's general comprehensive Risk Management Framework, and takes into account all IT governance operations.
6. Approve an information technology resources and projects budget in line with the Bank's strategic objectives.
7. Oversee and be acquainted of the progress of information technology operations, resources and projects to ensure its adequacy and its effective contribution in achieving the Bank's business and its requirements
8. Be acquainted of the audit reports on information technology and taking the necessary action to correct deviations.
9. Recommend to the Board of Directors to take the necessary measurements to correct any deviations.

Committee Members:

- The Committee is formed by a resolution of the Board of Directors, and the Board determines its objectives and powers, to be demonstrated in its Charter.
- The Committee shall comprise of, at least, three Board members and preferably comprising persons with expertise or strategic knowledge in information technology. The committee, in coordination with the Chairman of the Board, may seek the assistance of external experts when necessary, at the expense of the Bank to make up the shortfall in this area and enhance substantive opinion. The Committee may invite any of the Bank's administrators to attend its meetings to express their opinion, including those involved in internal audit and senior executive management members (such as Information Technology Manager) or those involved in External auditing.
- The Committee shall elect one of its members to be an observer member in the Information Technology Steering Committee.
- The Committee shall submit periodic reports to the Board, the Board's mandate to the Committee does not relieve it from its responsibilities in this regard.
- The Committee meets at least quarterly and maintains documented minutes of meetings.

Senior Executive Management

BoD approves the appointment of JKB Executive Management. BoD makes sure that members of the Executive Management possess the necessary expertise, competencies and integrity to manage JKB businesses and affairs in a manner consistent with the standards of professional conduct, particularly supervising the JKB management, enjoying the appropriate competences to oversee key individuals associated with the Bank operations. JKB develops a policy to manage and fill top executive jobs to meet laws and regulations requirements in force and the aspirations of JKB.

The Executive Management implements the principles of corporate governance in JKB and provides adequate control over the activities they manage

In this context, the Executive Management identifies the staff tasks accurately. They also propose the administrative structure which is meant to promote the concept of accountability and transparency. The Executive Management is to supervise the fulfillment of the specific responsibilities/ powers and they will be responsible for JKB performance.

Administrators' Performance Appraisal:

JKB develops policies of performance appraisal which ensure the participation of all those involved in managing JKB businesses to achieve the Bank objectives through carrying out tasks, objectives and obligations assigned to each one of them within a framework of fair competition based on the culture of excellence in performance.

- Performance Appraisal Policy for BoD and its members
- Performance Appraisal Policy for holders of senior positions and accountability

- Performance Appraisal Policy for other JKB staff members.

All the aforementioned policies are based on the latest international practices which are meant to objectively measure of performance, take into account risk aversion and the provisions of laws and regulations in force.

Internal Control and Audit Systems:

The Board and the Executive Management of JKB are in charge of developing, implementing and maintaining internal control and audit systems that are able to ensure and achieve the following:

- Accurate and integral financial and operational data issued by JKB.
- Efficient and effective performance of JKB operational processes.
- Effective protection procedures of JKB assets and property.
- Compliance with work policies and internal procedures, laws and regulations in force.

This is based on BoD belief in the importance of effective internal control and audit system as it is one of the most important elements of good management and the basis for the soundness and quality of JKB operations. JKB adopted a number of internal control and audit systems which the senior executive management is responsible to set up, follow-up its development and update them. JKB management is constantly monitoring and assessing the efficiency and effectiveness of these systems, their ability to achieve the desired goals and strive to enhance them. Supervisory departments make sure that transactions with stakeholders are conducted in accordance with the adopted policies and procedures.

BoD adopts control and audit policy addressing all aspects of the internal control systems in terms of their definition, components and BoD and senior executive management responsibilities.

To ensure JKB supervisory departments independence and that they fulfil their supervisory roles they tasked to carry out, their reports are to be submitted to BoD committees. BoD committees appraise the performance of the holders of senior positions at supervisory departments under the Performance Appraisal Policy for holders of senior positions adopted by BoD.

JKB Supervisory Departments

Internal Audit Department: This department is tasked to review commitment with the Corporate Governance Manual, verify of compliance with JKB policies, procedures, international standards and laws related to JKB activities, verify the existence and compliance with internal control and audit systems quite enough to encompass JKB activities and its subsidiaries, carry out financial and managerial auditing, review the soundness and comprehensiveness of the Stress Testing and ensure the accuracy of the internal capital adequacy assessment process (ICAAP).

Internal Audit Department submits its reports to the Board Audit Committee and to the General Manager simultaneously.

Risk Management Department: This department is tasked to monitor risks in JKB at all levels and market and operational areas, information risks, credit risks and business continuity, and monitor JKB departments compliance with the identified levels of risk in accordance with the best international standards. Risk Management Department submits its reports to the Board Risks and Compliance Committee. The tasks of the risk management department shall be as follows as a minimum:

1. Review the Banks' risk management framework before it is approved by the board.
2. Implement the risk management strategy in addition to developing work policies and measures to manage all types of risks.
3. Develop methodologies to identify, measure, monitor, and control all types of risks.
4. Submit reports to the board through the risk management committee, with a copy to the senior executive management, which include information about the actual risk profile for all the bank's activities, compared to risk appetite document, while continuing to address negative deviations.
5. Verify the integration of risk measurement mechanisms with the management information systems used.
6. Study and evaluate all types of risks faced by the Bank.
7. Submit recommendations to the risk management committee about the bank's exposure to risks, recording cases of exemption from the risk management policy.
8. Provide the necessary information regarding the Bank risks, to be used for disclosure purposes.

Compliance Control Department: This department is tasked to verify compliance with local and international laws and regulations governing JKB businesses. Compliance Department submits its reports the Board Risks and Compliance Committee and copy of the same to the General Manager. It is also tasked to monitor and combat money laundry. Moreover, it is tasked to manage Customers Complaints Unit within a framework approved by BoD as per the supervisory instructions.

All the aforementioned departments should develop their own charters to be approved by BoD.

Business Ethics Code

JKB adopted a code of business ethics which was approved by BoD and pledged to abide by all JKB staff in their respective administrative levels, in addition to the BoD members.

This code identified JKB staff's ethics, values and principles through four main themes, namely:

- Integrity.

- Compliance with the laws.
- Transparency.
- Loyalty to the bank.

As for integrity, the code included that JKB employees are committed to the following:

- Depositors' funds are a trust and responsibility which should be kept safe.
- Personal interest should not conflict with JKB interests.
- Not to use inside information to serve personal interests.
- Maintaining objective and non- bias personal relationships.
- Avoiding business relations with customers and suppliers.
- No-discrimination whatsoever among customers.
- Refrain from accepting gifts, benefits and invitations.

As for compliance with the laws and regulations, employees should abide by bank secrecy and JKB policies and work manuals. Also, they should pay more attention for combating money laundering, not to issue bad cheques and to abide by the management's decisions.

Concerning transparency, JKB employees should be committed to provide authorized accurate figures, data and reports, and that the data is accurate, adequate, timely and in line with the standards. Additionally, employees should disclose their personal interest and soundness of their financial standing and their personal business activities, and to disclose any violations and damages.

Regarding loyalty to JKB, this could be realized through achieving JKB mission, vision, objectives and role, transferring JKB slogan into a tangible reality, besides achieving customer satisfaction and retain them, being positive, excellent, responsible, enjoying qualities and efficiency, then accuracy and continuous learning, keeping up with working hours, adapting to work stress with the spirit of teamwork, paying attention to appearance, conduct and good handling of situations, being keen to maintain JKB reputation and achievements, maintaining JKB assets and its appearance, not to disclose work secrets, taking permission of the administration to make any statement related to JKB via any means of media.

The relevant standards and policies are published through JKB website. The level of adherence to those standards and policies should be identified in the Corporate Governance Report included in JKB annual report.

Conflict of Interest

JKB shall have written policies on conflict of interest covering its definition, independent execution, and disclosure; whether such conflict is between the Board members and JKB or between the Executive Management and JKB.

Conflict of interest policy shall cover various aspects related to this subject, such as:

- Board member shall avoid the activities which may lead to conflict of interest.
- BoD approval shall be obtained for any activity a Board member performs that may result in a conflict of interest and verify that the activity does not contain any conflict.
- Board member shall disclose any subject, which may lead to or has already led to a conflict of interest.
- Board member shall abstain from voting on any item of the agenda which might contain a conflict of interest for the member or has an effect on the objectivity of the vote.
- All transactions with related parties shall be based on equal basis and clear mechanism established for the Board to handle the case in the event of non-compliance with conflict of interest policy.
- The conflict of interest policy shall contain examples of cases where a conflict of interest may arise for a Board member.

Transactions with Stakeholders

- JKB shall have written policies on transactions with the related parties. These policies shall include rules and procedures for organizing transactions with such parties whether between JKB and its employees, JKB and its Board members or their companies, or parties related to them, including lending transactions and joint trading transactions with JKB.
- BoD shall ensure that the transactions with stakeholders are reviewed to assess their risks and are subjected to appropriate restrictions in place.

Whistle Blowing Policy

The Bank shall place policies and procedures to report on illicit acts/ Fraud- “Whistle Blowing Policy”, including procedures enabling employees to contact the Chairman of the Board to communicate any concerns they might have on the possibility of violations or fraud, and in a way that allows independent investigation into these concerns and to follow-up them. These procedures shall ensure that JKB provides the required protection for these employees to assure them they will not be threatened or penalized even when there is nothing to prove their concerns.

JKB Governing Policies

Jordan Kuwait Bank regards providing written policies covering all the Bank's activities with high importance as these policies are adopted by the Board of Directors and circulated to all management levels as well as reviewing and updating them regularly to reflect any changes and amendments that occur to the laws, regulations, economic circumstances and any other matters related to the Bank.

Protecting Shareholders Rights and their Relations with the Bank

- BoD ensures the protection of shareholders' fundamental rights concerning the registration and transfer of ownership, participation in the General Assembly meetings, gaining profits and get information regularly on JKB.
- BoD shall encourage shareholders' active participation of in the General Assembly meetings; explaining voting procedures and rules, as well as inform them by the date and venue of the meeting along with the meeting agenda in sufficient time, in addition to inform shareholders by the General Assembly minutes of the meetings.
- JKB develops positive relations based on transparency with all shareholders. In this regard, the Bank saves no effort to encourage all shareholders, especially minority shareholders, to attend the annual meeting of the General Assembly and they are encouraged to vote. In addition, consideration is given to voting on each issue that is raised during the annual meeting of the General Assembly separately.
- The Chairmen of the various Board committees attend the annual General Assembly meeting.
- Following the General Assembly meeting, detailed report is prepared to inform shareholders of the various remarks and questions brought forth by the shareholders and management responses to them as well as the conclusions reached.
- Representatives of the External Auditors attend the annual General Assembly meeting to answer any questions that may be raised regarding audit and the auditors' report.
- Pursuant to the Companies Law, members of the Board of Directors are elected or re-elected during the annual General Assembly meeting. The external auditor is also elected during the same meeting.

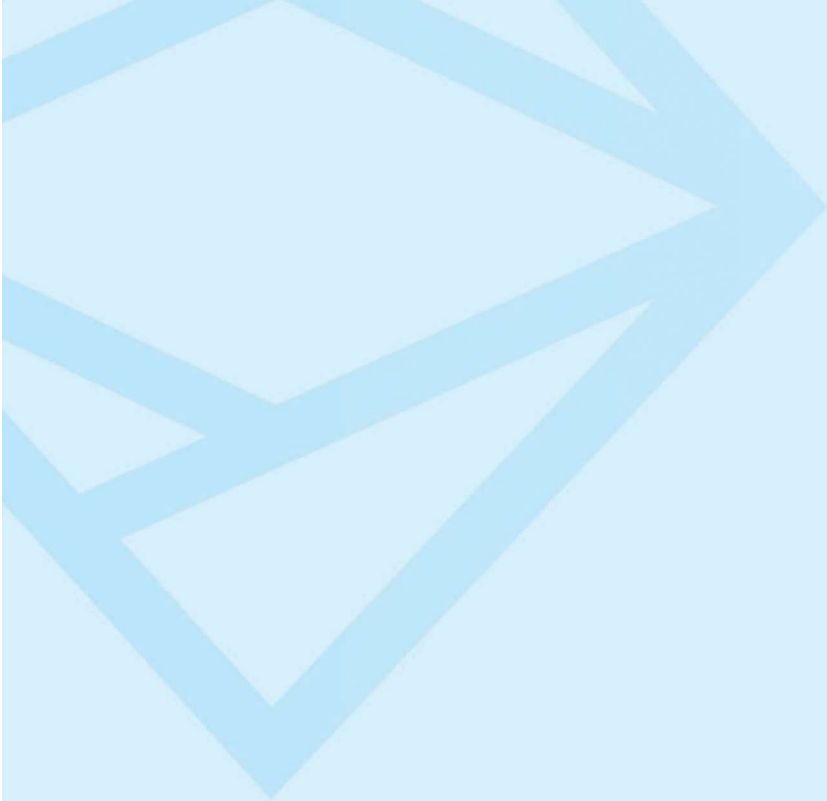
Transparency and Disclosures

- JKB provides full information regarding its activities constantly and periodically to all stakeholders such as regulators, shareholders, depositors and the public in general; focusing on issues with material impact on the Bank.
- JKB is fully committed to the requirements of full disclosure according to the International Financial Reporting Standards (IFRS) and the disclosure instructions issued by the Central Bank and regulators.
- JKB follows up the various developments regarding the requirements of disclosure according to international standards, such that they are immediately reflected in its financial reports.
- JKB commits to providing permanent and professional communication lines with all relevant stakeholders such as regulators, shareholders, investors, depositors and other banks. To achieve this, JKB shall create a position of Investors Relation officer whose main task is to provide full and objective information regarding

the Bank's financial and administrative standing as well as the Bank's various activities.

- JKB annual report shall contain all information related to the Bank in a manner that is transparent and objective.
- Publish periodic reports that contain quarterly financial information, in addition to a report from the BoD regarding the trading of the Bank's stocks and its financial standing during the year as well as periodic briefs by Executive Management for shareholders, financial market analysts and journalists specialized in the financial sector.
- Hold periodic meetings between the Bank's Executive Management and investors and shareholders.
- JKB provides the information available in its annual or periodic reports on the Bank's website in both the Arabic and English languages, where information is updated constantly.
- The reports that JKB presents must contain disclosure from the Executive Management about the results of current and future operations, the financial standing of the Bank and any future results of risk that might affect the general financial standing of the Bank.
- To deepen the principle of transparency and disclosure, JKB annual report must specifically contain the following :
 - JKB Corporate Governance Guidelines and the extent it is committed to.
 - A statement stating the BoD responsibility for the accuracy and adequacy of JKB financial statements and the information included in the report, and the adequacy of internal control systems.
 - A summary on JKB organizational structure.
 - Full information about the members of the Board of Directors including qualifications, experiences, share of the capital, their status as Executives, Non-Executives or Independent, memberships in any other Boards of Directors, the bonuses and salaries they have received, any loans granted to them by the Bank and any operations between the Bank and the member, his companies, or any parties related to him.
 - A brief of the responsibilities and tasks of Board committees.
 - Number of Board and Board Committees meetings held.
 - A brief of the Bank's Remuneration Policy as well as the salaries and allowances of Senior Executive Management.
 - The statement of the BoD regarding the sufficiency of internal control systems.
 - A description of the structure and activities of the Risk Management Department.
 - The main shareholders of the Bank and of companies that hold substantial share of the Bank's capital.
 - Names of BoD and Senior Executive Management members who resigned during the year.

- Shareholders' names who own (1%) or more of JKB capital along with identifying the data to be disclosed in accordance with the supervisory instructions and laws in force.
- Declarations made by all BoD members stating that they did not receive any benefits through their work at JKB and they did not disclose it, whether such benefits were material or in-kind, and whether it is presented to him personally or to any person in relation with them, during the past year.



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