

**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**

JORDAN KUWAIT BANK  
(A PUBLIC LIMITED SHAREHOLDING COMPANY)  
AMMAN - JORDAN  
DECEMBER 31, 2016

TABLE OF CONTENTS

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report                        | 1 - 6       |
| Consolidated Statement of Financial Position        | 7           |
| Consolidated Statement of Income                    | 8           |
| Consolidated Statement of Comprehensive Income      | 9           |
| Consolidated Statement of Changes in Owners' Equity | 10          |
| Consolidated Statement of Cash Flows                | 11          |
| Notes to the Consolidated Financial Statements      | 12 - 70     |

## 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 of Jordan's arrangements for calculating 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><b>Adequacy of Credit Facilities Impairment Provision</b></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 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><b>Scope of Audit to Address Risks</b></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"><b>Evaluation of Investments not Listed in organized Markets</b></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. Accordingly, the estimation of fair value for these assets by management is considered as a key audit matter.</p>  | <p align="center"><b>Scope of Audit to Address Risks</b></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"><b>Assets Seized by the Bank against Debts</b></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"><b>Scope of Audit to Address Risks</b></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> |

**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.

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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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.



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.

#### **Other Matter**

The accompanying consolidated financial statements are a translation of the statutory financial statements in Arabic language to which reference should be made.

**Amman – Jordan**

**February 8, 2017**

  
**Deloitte & Touche (M.E.) – Jordan**

**Deloitte & Touche (M.E.)**  
**Public Accountants**  
**Amman - Jordan**



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

|   | Note | December 31,         |                      |
|---|------|----------------------|----------------------|
|   |      | 2016                 | 2015                 |
|   |      | JD                   | JD                   |
| <b>ASSETS</b>   |      |                      |                      |
| 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          |
| <b>TOTAL ASSETS</b>   |      | <b>2,739,985,416</b> | <b>2,844,731,503</b> |
| <b>LIABILITIES AND OWNERS' EQUITY</b>                       |      |                      |                      |
| <b>LIABILITIES:</b>   |      |                      |                      |
| Banks and financial institutions deposits                   | 14   | 381,284,349          | 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           |
| <b>TOTAL LIABILITIES</b>                                    |      | <b>2,274,810,575</b> | <b>2,390,478,034</b> |
| <b>OWNERS' EQUITY:</b>                                      |      |                      |                      |
| <b>EQUITY - BANK SHAREHOLDERS:</b>                          |      |                      |                      |
| 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          |
| <b>TOTAL EQUITY - BANK'S SHAREHOLDERS</b>                   |      | <b>459,692,722</b>   | <b>448,578,654</b>   |
| Non-controlling Interests                                   |      | 5,482,119            | 5,674,815            |
| <b>TOTAL OWNERS' EQUITY</b>                                 |      | <b>465,174,841</b>   | <b>454,253,469</b>   |
| <b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>                 |      | <b>2,739,985,416</b> | <b>2,844,731,503</b> |

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        |
| <u>Less: Interest expense</u>   | 27      | <u>37,617,749</u>  | <u>39,515,093</u>  |
| Net Interest Income   |         | 89,854,734         | 90,268,779         |
| Net commission income   | 28      | <u>12,277,308</u>  | <u>11,940,749</u>  |
| 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      | <u>12,060,982</u>  | <u>21,267,340</u>  |
| Gross Income  |         | <u>120,652,245</u> | <u>127,900,068</u> |
| 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      | <u>24,102,458</u>  | <u>20,276,080</u>  |
| Total Expenses  |         | <u>77,160,012</u>  | <u>71,432,732</u>  |
| Income for the Year before Income Tax   |         | 43,492,233         | 56,467,336         |
| <u>Less: Income tax expense</u>   | 19      | <u>13,486,423</u>  | <u>17,055,660</u>  |
| Income for the Year   |         | <u>30,005,810</u>  | <u>39,411,676</u>  |
| <u>Pertains to:</u>   |         |                    |                    |
| Bank's Shareholders   |         | <u>29,747,029</u>  | <u>38,558,054</u>  |
| Non-Controlling Interests   |         | <u>258,781</u>     | <u>853,622</u>     |
| <u>Earnings per Share for the Year Attributable to the Bank's Shareholders:</u> |         |                    |                    |
| Basic and Diluted   | 35      | <u>0.297</u>       | <u>0.386</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 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 interests   | <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**

| Description  | Note | Equity - Bank's Shareholders   |            |             |              |                       |   |                   |                                    |                           |              |
|--|------|--------------------------------|------------|-------------|--------------|-----------------------|---|-------------------|------------------------------------|---------------------------|--------------|
|  |      | Reserves                       |            |             |              |                       |   |                   |                                    |                           |              |
|  |      | Authorized Capital and Paid-up | Statutory  | Voluntary   | Pre-Cyclical | General Banking Risks | Financial Assets Valuation Reserve - Net of Tax | Retained Earnings | Total Equity - Bank's Shareholders | Non-controlling Interests | Total        |
|  |      | JD                             | JD         | JD          | JD           | JD                    | JD  | JD                | JD                                 | JD                        | JD           |
| For the Year Ended December 31, 2016   |      |                                |            |             |              |                       |   |                   |                                    |                           |              |
| 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)                  | 1,312,834    |
| 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  |
| For the Year Ended December 31, 2015   |      |                                |            |             |              |                       |   |                   |                                    |                           |              |
| 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  |

Retained earnings includes an amount of JD 10,128,723 as of December 31, 2016 (against JD 7,393,577 as of December 31, 2015) restricted, according to the Central Bank of Jordan instructions, against deferred tax assets.

Retained earnings includes 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 credit financial assets valuation reserve is restricted and requires the preapproval 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           |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |       |                    |              |
| 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 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 assets 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 assets  | 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   |
| <b>CHANGES IN ASSETS AND LIABILITIES:</b>  |       |                    |              |
| (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 Paid Provisions and Income Tax |       | (194,358,810)      | 202,939,230  |
| End-of-service indemnity paid  | 18    | (642,627)          | (512,496)    |
| Lawsuits provision 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  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>   |       |                    |              |
| 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) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>   |       |                    |              |
| (Decrease) in non-controlling interests  |       | (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 (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**

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**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 subsidiary companies.
- 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. At the same time, 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 interests represent the portion of the subsidiaries' equity not owned by the Bank.

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

| <u>Company's Name</u>  | <u>Paid-up Capital</u><br>JD | <u>Ownership of the Bank</u><br>% | <u>Nature of Operation</u>                          | <u>Location</u> | <u>Date of Acquisition</u> |
|--|------------------------------|-----------------------------------|---|-----------------|----------------------------|
| 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                               | Issuance of Securities and other Financial Services | Amman           | 2016                       |

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

| <u>Company's Name</u>  | <u>December 31, 2016</u>  |                                | <u>For the year 2016</u>   |                             |
|--|---------------------------|--------------------------------|----------------------------|-----------------------------|
|  | <u>Total Assets</u><br>JD | <u>Total Liabilities</u><br>JD | <u>Total Revenue</u><br>JD | <u>Total Expenses</u><br>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                     | 5,017,869                  | 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 530,000, but it did not conduct any operating activities until the end of 2016. Moreover, the Bank has three members on the company's Board of Directors.

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 stricter.
- 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 the related fully provided for suspended interest 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                         | <u>3</u> |
| 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, and so is the change in the fair value of the assets or liabilities portfolio.

Commissions are recorded as income the related services have been provided. Meanwhile, profits on companies' shares are recognized when achieved (decided by 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 has a right to dispose of 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 of assets seized by the Bank is recorded based on recent real estate evaluations conducted by certified real estate evaluators for the purpose of impairment calculation. This impairment is reviewed periodically. Moreover, as of the end of the year 2015, a gradual provision for the assets seized against debts whose seizure exceeded 4 years is recognized 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. In particular, they require 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 according to bases 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. Since the beginning of 2015, a gradual provision has been calculated for the assets seized against debts, whose seizure exceeded 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 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         |
| <b>Balances at Central Banks:</b> |                    |                    |
| 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         |
| <b>Total</b>                      | <b>279,155,436</b> | <b>402,439,784</b> |

- 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         |
| <b>Total</b>                             | <b>13,938,950</b>                      | <b>25,197,683</b> | <b>198,920,276</b>                       | <b>199,346,834</b> | <b>212,859,226</b> | <b>224,544,517</b> |

- 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 | -                                      | -                | -  | -                | -                 | -                |
| <b>Total</b>            |  | <b>1,999,990</b> | <b>14,166,627</b>                        | <b>7,107,725</b> | <b>14,166,627</b> | <b>9,107,715</b> |

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

## 7. Direct Credit Facilities - Net

The details of this item are as follows:

|   | December 31,         |                      |
|---|----------------------|----------------------|
|   | 2016                 | 2015                 |
| <b>Individuals (retail):</b>  | 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            |
| <b>Real estate loans</b>  | 196,452,307          | 171,776,740          |
| <b>Companies:</b>   |                      |                      |
| 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           |
| <b>Government and public sector</b>                                   | 144,577,428          | 126,823,943          |
| <b>Total</b>  | 1,534,446,423        | 1,438,025,305        |
| <b>Less: Provision of impairment loss in direct credit facilities</b> | 73,120,373           | 53,758,509           |
| Interest in suspense  | 14,415,086           | 11,479,592           |
| <b>Net Direct Credit Facilities</b>                                   | <b>1,446,910,964</b> | <b>1,372,787,204</b> |

\* 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 for 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 for impairment against these 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 for impairment loss for one direct credit facilities customer. According to the arrangements the remaining provision will be gradually allocated during the year 2017. In case of amicable ownership of the guarantees, the provision for impairment loss will be gradually taken for the remaining balance.

#### Provision for Impairment Loss in Direct Credit Facilities

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

| For the Year 2016                                   | Companies   |           |            |           |                | Total      |
|---|-------------|-----------|------------|-----------|----------------|------------|
|   | Real Estate |           | Small and  |           | Government and |            |
|   | Individuals | Loans     | Large      | Medium    | Public Sector  |            |
|   | 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 for 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                           | 6,442,539   | 5,471,122 | 59,072,935 | 2,133,777 | -              | 73,120,373 |
| Total of watch list provisions                      | 429,441     | 68,720    | 1,536,091  | 25,617    | -              | 2,059,869  |
| Total non-performing provisions                     | 6,013,098   | 5,402,402 | 57,536,844 | 2,108,160 | -              | 71,060,504 |
|   | 6,442,539   | 5,471,122 | 59,072,935 | 2,133,777 | -              | 73,120,373 |

  

| For the Year 2015  | Companies   |           |            |           |                | Total      |
|--|-------------|-----------|------------|-----------|----------------|------------|
|  | Real Estate |           | Small and  |           | Government and |            |
|  | Individuals | Loans     | Large      | Medium    | Public Sector  |            |
|  | 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 for 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  | 5,163,412   | 3,526,473 | 43,039,005 | 2,029,619 | -              | 53,758,509 |
| Total of watch list provisions   | 295,929     | 240,671   | 469,547    | 296,791   | -              | 1,302,938  |
| Total non-performing provisions  | 4,867,483   | 3,285,802 | 42,569,458 | 1,732,828 | -              | 52,456,571 |
|  | 5,163,412   | 3,526,473 | 43,039,005 | 2,029,619 | -              | 53,758,509 |

\* 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 of JD 22,226,320 were transferred to off-consolidated statement of financial position according to the Board of Directors' decision to reach 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:

| For the Year 2016                       | Companies   |           |            |           |                | Total      |
|---|-------------|-----------|------------|-----------|----------------|------------|
|   | Real Estate |           | Small and  |           | Government and |            |
|   | Individuals | Loans     | Large      | Medium    | Public Sector  |            |
|   | 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        | (36,655)    | -         | -          | (15,861)  | -              | (52,516)   |
| Balance - End of the Year               | 643,062     | 1,819,453 | 11,537,660 | 414,911   | -              | 14,415,086 |

  

| For the Year 2015  | Companies   |           |             |          |                | Total       |
|--|-------------|-----------|-------------|----------|----------------|-------------|
|  | Real Estate |           | Small and   |          | Government and |             |
|  | Individuals | Loans     | Large       | Medium   | Public Sector  |             |
|  | 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   | (27,898)    | (7,050)   | -           | (17,432) | -              | (52,380)    |
| Interest in suspense transferred to off-consolidated statement of financial position * | -           | -         | (3,068,164) | -        | -              | (3,068,164) |
| Balance - End of the Year  | 457,342     | 1,184,303 | 9,568,870   | 269,077  | -              | 11,479,592  |

\* The Bank adopts a policy for suspending interest off - the consolidated statement of financial position for credit facilities with lawsuits outstanding in Courts. 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 (JD 8,289,525 for the year 2015). Suspended interest on non-performing credit facilities out of the system totaled 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                            | 69,705,520   | 76,219,060 |

#### Bonds Analysis:

|               |            |            |
|---------------|------------|------------|
| Fixed rate    | 55,434,516 | 48,848,668 |
| Floating rate | 3,476,058  | 15,608,630 |
| Total         | 58,910,574 | 64,457,298 |

#### 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                             | 27,306,153   | 35,229,279 |

- 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     | 15,842,727   | 3,104,401   |
| <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   | 463,352,676  | 502,645,575 |
| Total                             | 479,195,403  | 505,749,976 |

#### Bonds and Bills Analysis:

|               |             |             |
|---------------|-------------|-------------|
| Fixed rate    | 464,750,403 | 491,304,976 |
| Floating rate | 14,445,000  | 14,445,000  |
| Total         | 479,195,403 | 505,749,976 |

# 11. Property and Equipment - Net

a. The details of this item are as follows:

|  | Furniture,<br>Fixtures and<br>Building |                   |                   |                  |                   |                   |                   |
|--|--|-------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| Year 2016  | Land                                   | Buildings         | Equipment         | Vehicles         | Computers         | Improvements      | Total             |
|  | JD                                     | JD                | JD                | JD               | JD                | JD                | JD                |
| <b>Cost:</b>   |  |                   |                   |                  |                   |                   |                   |
| 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                                  | <u>3,046,712</u>                       | <u>10,371,614</u> | <u>11,900,762</u> | <u>1,321,588</u> | <u>16,264,101</u> | <u>15,446,620</u> | <u>58,351,397</u> |
| <b>Accumulated Depreciation:</b>                           |  |                   |                   |                  |                   |                   |                   |
| 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 | <u>3,046,712</u>                       | <u>8,385,558</u>  | <u>7,654,535</u>  | <u>726,493</u>   | <u>4,253,148</u>  | <u>4,712,581</u>  | <u>28,779,027</u> |
| <b>Year 2015</b>   |  |                   |                   |                  |                   |                   |                   |
| <b>Cost:</b>   |  |                   |                   |                  |                   |                   |                   |
| 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                                  | <u>3,046,712</u>                       | <u>9,726,226</u>  | <u>10,764,324</u> | <u>707,632</u>   | <u>15,009,540</u> | <u>12,528,188</u> | <u>51,782,622</u> |
| <b>Accumulated Depreciation:</b>                           |  |                   |                   |                  |                   |                   |                   |
| 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 | <u>3,046,712</u>                       | <u>7,914,492</u>  | <u>7,235,157</u>  | <u>236,130</u>   | <u>4,349,904</u>  | <u>3,019,402</u>  | <u>25,801,797</u> |
| 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

|                                 |
|---------------------------------|
| Balance - beginning of the year |
| Additions                       |
| Amortization for the year       |
| Balance - End of the Year       |

| Computer<br>Software and<br>Applications | Total     |
|--|-----------|
| JD                                       | JD        |
| 7,065,200                                | 7,065,200 |
| 1,725,801                                | 1,725,801 |
| 1,787,853                                | 1,787,853 |
| 7,003,148                                | 7,003,148 |

Annual amortization rate %

20-33

### Year 2015

|                                 |
|---------------------------------|
| Balance - beginning of the year |
| Additions                       |
| Amortization for the year       |
| Balance - End of the Year       |

| Computer<br>Software and<br>Applications | Total     |
|--|-----------|
| JD                                       | JD        |
| 7,362,498                                | 7,362,498 |
| 1,655,475                                | 1,655,475 |
| 1,952,773                                | 1,952,773 |
| 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 930,913 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. 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 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 of JD 211,318 have been recorded.

\*\* This item includes additions of new properties during the year 2016 of around JD 456,000, in addition to the costs of development and completion of construction works until they become ready for sale. Moreover, development and construction works have been completed and all the properties have become available for sale during the second half of the year 2016.

\*\*\* This item represents a provision for properties seized by the Bank based on the related instructions of the Central Bank of Jordan. Moreover, the Bank has started to calculate a gradual provision for the assets seized against debts, whose seizure exceeded 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         |             |                  |                              |               |
|                                 | Individuals       | Large       | Small and Medium | Government and Public Sector | Total         |
|                                 | 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                           | 1,075,396,321     | 288,820,222 | 281,172,987      | 48,011,785                   | 1,703,401,315 |

  

|                                 | December 31, 2015 |             |                  |                              |               |
|---------------------------------|-------------------|-------------|------------------|------------------------------|---------------|
|                                 | Companies         |             |                  |                              |               |
|                                 | Individuals       | Large       | Small and Medium | Government and Public Sector | Total         |
|                                 | 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, equivalent to (2.8%) of total customers' deposits as of December 31, 2016 (JD 103,657,112, equivalent to (5.5%) as of December 31, 2015).
- Non-Interest bearing deposits amounted to JD 407,237,963, equivalent to (23.9%) of total customers' deposits as of December 31, 2016 (JD 580,284,897, equivalent to (30.5%) as of December 31, 2015).
- Restricted deposits amounted to JD 20,709,957, equivalent to (1.2%) of total customers' deposits as of December 31, 2016 (JD 15,203,518, 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 against direct credit facilities   | 63,804,633        | 66,917,689        |
| Cash margins against indirect credit facilities | 24,072,933        | 19,902,103        |
| Other margins                                   | <u>82,308</u>     | <u>82,308</u>     |
| Total   | <u>87,959,874</u> | <u>86,902,100</u> |

#### 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:

|  | Funds 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 finance                                     | 4,130,022         | 3,601,665         | Repaid over 5 years   | Monthly                                      | 1.906%                | Upon demand |
| Central Bank of Jordan's finance                                     | 500,000           | 321,430           | Repaid over 1 years   | Quarterly                                    | 1.75%                 | Upon demand |
| Central Bank of Jordan's finance                                     | 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         | 2,036,265         | Not Applicable  | Not Applicable                               | 6%                    | -           |
| Local Bank (Loan related to a subsidiary company)                    | 5,000,000         | 1,754,678         | Repaid in 38 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  | <u>40,552,528</u> | <u>33,636,543</u> |   |  |                       |             |

#### 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 finance                                     | 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  | <u>24,015,900</u> | <u>24,015,900</u> |  |  |       |       |

#### 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 | <u>628,682</u>                  | <u>270,000</u>         | <u>29,138</u>            | <u>869,544</u>            |
| Total   | <u>10,526,597</u>               | <u>2,250,699</u>       | <u>671,765</u>           | <u>12,105,531</u>         |

  

|   | Year 2015        |                  |                |                   |
|---|------------------|------------------|----------------|-------------------|
|   |                  |                  |                |                   |
| 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 | <u>413,369</u>   | <u>185,313</u>   | -              | <u>628,682</u>    |
| Total   | <u>9,223,890</u> | <u>1,815,203</u> | <u>512,496</u> | <u>10,526,597</u> |

## 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                |
| <b>a- Deferred Tax Assets</b>   |                                 |                  |                  |                           |                   |
| 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           |
| Valuation losses from financial assets at fair value through profit or loss | 5,345,971                       | 2,126,963        | 17,417           | 7,455,517                 | 2,651,961         |
| <b>Total</b>  | <b>21,562,046</b>               | <b>9,240,379</b> | <b>1,463,539</b> | <b>29,338,886</b>         | <b>10,128,723</b> |
| <b>b- Deferred Tax Liabilities *</b>  |                                 |                  |                  |                           |                   |
| Financial assets at fair value valuation reserve *                          | 6,160,456                       | 2,145,428        | (86,775)         | 8,392,659                 | 2,937,750         |
| Depreciation and amortization   | 3,129,454                       | -                | 3,129,454        | -                         | -                 |
| <b>Total</b>  | <b>9,289,910</b>                | <b>2,145,428</b> | <b>3,042,679</b> | <b>8,392,659</b>          | <b>2,937,750</b>  |

\* Deferred tax liabilities resulting from the revaluation gain of financial assets at fair value through comprehensive income are stated within the financial assets 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         | (508,885)         | (1,074,483)      | (1,351,139)      | (911,495)        |
| <b>Balance - End of the Year</b> | <b>10,128,724</b> | <b>2,937,750</b> | <b>7,393,577</b> | <b>3,261,015</b> |

**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        |
| Add: Unacceptable tax expenses  | 17,075,693        | 10,641,109        |
| Less: Profit not subject to tax | (7,161,227)       | (10,451,322)      |
| <b>Taxable Income</b>           | <b>53,406,699</b> | <b>56,657,123</b> |

**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 of 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<br>JD   | 2015<br>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<br>JD   | 2015<br>JD |   |
| Statutory reserve             | 81,803,089   | 77,479,744 | According to the Jordanian Companies Law and the Banks 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 at Fair Value Valuation Reserve - Net of Tax

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

|                                 | 2016<br>JD | 2015<br>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  |

- Retained earnings includes JD 10,128,723 as of December 31, 2016 restricted against deferred tax assets according to the Central Bank of Jordan instructions (JD 7,393,577 as of December 31, 2015).

- Retained earnings includes 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 for the amount realized from 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 Credit financial assets valuation reserve is restricted and requires the preapproval of the Central Bank of Jordan.

#### 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:  |             |             |
| <b>Individuals (retail)</b>                                      |             |             |
| Overdraft accounts   | 1,738       | 1,801       |
| Loans and promissory notes                                       | 8,080,112   | 7,151,097   |
| Credit cards   | 699,162     | 771,433     |
| <b>Real - estate loans</b>                                       | 9,955,761   | 7,904,660   |
| <b>Companies</b>   |             |             |
| <b>Large</b>   |             |             |
| Overdraft accounts   | 10,675,398  | 11,067,685  |
| Loans and promissory notes                                       | 44,210,243  | 44,654,428  |
| <b>Small and medium</b>  |             |             |
| Overdraft accounts   | 1,145,660   | 1,329,930   |
| Loans and promissory notes                                       | 9,011,681   | 9,016,499   |
| <b>Government and public sector</b>                              | 8,701,922   | 8,154,951   |
| <b>Balances at central banks</b>                                 | 1,776,942   | 3,663,921   |
| <b>Balances and deposits at banks and financial institutions</b> | 5,537,911   | 6,737,651   |
| <b>Financial assets at amortized cost</b>                        | 23,217,350  | 25,427,677  |
| <b>Financial assets at fair value through profit or loss</b>     | 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         |
| <b>Deposits at banks and financial institutions</b> | 5,178,106  | 5,261,799  |
| <b>Customers deposits</b>                           |            |            |
| 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     |
| <b>Borrowed funds</b>                               | 1,245,040  | 808,023    |
| <b>Loan guarantee fees</b>                          | 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 / dealing | 4,234,491 | 5,875,556   |
| Gain / (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:

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

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

### 31. (Loss) from Sale of Financial Assets at Amortized Cost

During the year 2015, financial assets at amortized cost have been called by the bonds issuer at a par value of JD 2,127,000, which resulted in losses of JD 38,683 for the year. Moreover, the maturity date of these financial assets is September 29, 2020.

### 32. Other Income

The details of this item are as follows:

|   | <u>2016</u>       | <u>2015</u>       |
|---|-------------------|-------------------|
|   | JD                | JD                |
| Rental of 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         |
| Shares trading 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                                      | <u>2,359,290</u>  | <u>3,160,615</u>  |
| Total                                       | <u>12,060,982</u> | <u>21,267,340</u> |



### 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  | <u>25,454,338</u> | <u>23,134,334</u> |

### 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 of 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   | <u>2,654,676</u>  | <u>1,807,142</u>  |
| Total  | <u>24,102,458</u> | <u>20,276,080</u> |

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

The details of this item are as follows:

|  | <u>2016</u>        | <u>2015</u>        |
|--|--------------------|--------------------|
|  | 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> |
| Earnings per share pertains to the Bank's Shareholders:<br>(Basic and Diluted) | JD / Share         | JD / Share         |
|  | <u>0.297</u>       | <u>0.386</u>       |

### 36. Cash and Cash Equivalents

The details of this item are as follows:

|  | <u>December 31,</u> |                    |
|--|---------------------|--------------------|
|  | <u>2016</u>         | <u>2015</u>        |
|  | 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:

|  | Positive<br>Fair Value | Negative Fair<br>Value | Maturity of Nominal Value |                    |                                  |                              |                      |
|--|------------------------|------------------------|---------------------------|--------------------|----------------------------------|------------------------------|----------------------|
|  |                        |                        | Total Nominal<br>Amounts  | Within 3<br>Months | From 3 Months up to<br>12 Months | From 1 Year<br>up to 3 Years | More than 3<br>Years |
| As of December 31, 2016                          | 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.

|  | Positive<br>Fair Value | Negative Fair<br>Value | Maturity of Nominal Value |                    |                                  |                              |                      |
|--|------------------------|------------------------|---------------------------|--------------------|----------------------------------|------------------------------|----------------------|
|  |                        |                        | Total Nominal<br>Amounts  | Within 3<br>Months | From 3 Months up to<br>12 Months | From 1 Year<br>up to 3 Years | More than 3<br>Years |
| As of December 31, 2015                          | JD                     | JD                     | JD                        | JD                 | JD                               | JD                           | JD                   |
| Trading derivatives:                             |                        |                        |                           |                    |                                  |                              |                      |
| Forward sale 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<br>Members * | Executive<br>Managers * | Others ** | December 31, |             |
|   |               |                                 |                         |           | 2016         | 2015        |
|   | JD            | JD                              | JD                      | JD        | JD           | JD          |
| <u>On- Consolidated Statement of Financial Position Items:</u>    |               |                                 |                         |           |              |             |
| 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     |
| <u>Off- Consolidated Statement of Financial Position Items:</u>   |               |                                 |                         |           |              |             |
| 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        |
| <u>Consolidated Statement of Income items:</u>                    |               |                                 |                         |           |              |             |
|   | JD            |                                 |                         | JD        |              | JD          |
| 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 Board of Directors members of JD 31,794, representing credit facilities granted to United Financial Investments Company (subsidiary company) Board of Directors 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 of JD 549,549, representing credit facilities granted to the Board of Directors 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 4.0% to 9.5%.

\*\*\*\* 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 Specialized Managerial Company for Investment and Financial Consultation

### Salaries and Remunerations of Executive Management:

Salaries of the Executive Management of the Bank and its subsidiaries amounted to JD 3,994,922 for the year 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 these policies and executes the related requirements. Moreover, 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 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 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.
- Having 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 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.

- Having 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.
- Having 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.

- Having specified and documented controls and ceilings with clear policies and procedures that guarantee commitment to these ceilings and obtaining 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 the portfolio's quality, 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 to the Board of Directors by the related parties 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 risk - mitigating factors):

|  | December 31,         |                      |
|--|----------------------|----------------------|
|  | 2016                 | 2015                 |
|  | JD                   | JD                   |
| <u>On- Consolidated Statement of Financial Position Items</u>  |                      |                      |
| Balances at 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  | <u>2,971,147,328</u> | <u>3,003,948,019</u> |



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

| December 31, 2016             | Companies          |                    |                    |                   |                              | Other Assets      | Bonds and Treasury Bills | Banks and Other Financial Institutions | Total                |
|-------------------------------|--------------------|--------------------|--------------------|-------------------|------------------------------|-------------------|--------------------------|--|----------------------|
|                               | Individuals        | Real Estate Loans  | Large              | Small and Medium  | Government and Public Sector |                   |                          |  |                      |
|                               | 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>1,635,724</u>  | -                            | <u>378,078</u>    | <u>1,717,482</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>378,078</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         |                    |                    |                   |                              | Other Assets      | Bonds and Treasury Bills | Financial Institutions | Total                |
|-------------------------------|-------------------|--------------------|--------------------|-------------------|------------------------------|-------------------|--------------------------|------------------------|----------------------|
|                               | Individuals       | Real Estate Loans  | Large              | Small and Medium  | Government and Public Sector |                   |                          |                        |                      |
|                               | 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>638,100</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>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               | 30,294,072         | 32,490,364           |
| Less than -B                  | 15,277,478         | 15,394,479           |
| Unclassified                  | 37,459,845         | 134,301,756          |
| Governments and public sector | <u>487,175,873</u> | <u>850,123,819</u>   |
| Total                         | <u>570,207,274</u> | <u>1,166,807,452</u> |

- The whole debt balance becomes due when one of the installments 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 represent 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          | Individuals       | Real Estate Loans  | Companies          |                   | Government and Public Sector | Total              |
|----------------------------|-------------------|--------------------|--------------------|-------------------|------------------------------|--------------------|
|                            |                   |                    | Large              | Small and Medium  |                              |                    |
|                            | JD                | JD                 | JD                 | JD                | JD                           | JD                 |
| <b>Guarantees against:</b> |                   |                    |                    |                   |                              |                    |
| 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         |
| <b>Non-performing:</b>     |                   |                    |                    |                   |                              |                    |
| 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         |
| <b>Total</b>               | <b>49,119,614</b> | <b>191,040,142</b> | <b>422,786,666</b> | <b>31,630,400</b> | <b>3,300,000</b>             | <b>697,876,822</b> |

|                               |                   |                    |                    |                   |                  |                    |
|-------------------------------|-------------------|--------------------|--------------------|-------------------|------------------|--------------------|
| <b>Of it:</b>                 |                   |                    |                    |                   |                  |                    |
| 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        | 39,813,315        | -                  | 3,876,987          | 7,791,905         | -                | 51,482,207         |
| <b>Total</b>                  | <b>49,119,614</b> | <b>191,040,142</b> | <b>422,786,666</b> | <b>31,630,400</b> | <b>3,300,000</b> | <b>697,876,822</b> |

| December 31, 2015          | Individuals       | Real Estate Loans  | Companies          |                   | Government and Public Sector | Total              |
|----------------------------|-------------------|--------------------|--------------------|-------------------|------------------------------|--------------------|
|                            |                   |                    | Large              | Small and Medium  |                              |                    |
|                            | JD                | JD                 | JD                 | JD                | JD                           | JD                 |
| <b>Guarantees against:</b> |                   |                    |                    |                   |                              |                    |
| 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         |
| <b>Non-performing:</b>     |                   |                    |                    |                   |                              |                    |
| 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         |
| <b>Total</b>               | <b>40,981,778</b> | <b>168,538,464</b> | <b>421,450,756</b> | <b>23,859,571</b> | <b>19,817,882</b>            | <b>674,648,451</b> |

|                               |                   |                    |                    |                   |                   |                    |
|-------------------------------|-------------------|--------------------|--------------------|-------------------|-------------------|--------------------|
| <b>Of it:</b>                 |                   |                    |                    |                   |                   |                    |
| 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        | 28,664,105        | -                  | 4,050,876          | 2,054,986         | -                 | 34,769,967         |
| <b>Total</b>                  | <b>40,981,778</b> | <b>168,538,464</b> | <b>421,450,756</b> | <b>23,859,571</b> | <b>19,817,882</b> | <b>674,648,451</b> |

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 21,931,456 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. Restructured but unclassified debts amounted to JD 31,132,246 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<br>at Fair Value through<br>the Profit or Loss |             | Within Financial Assets<br>at Amortized<br>Cost |             | Total as of December 31, |           |
|--------------|--------------------|---|-------------|---|-------------|--------------------------|-----------|
|              |                    | JD  |             | JD  |             | 2016                     |           |
|              |                    |   |             |   |             | 2015                     |           |
| 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                                       | 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                                       | 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                                      | 22,633,482  | 37,459,845               | -         |
| Total        |                    | 58,910,574  | 479,195,403 | 538,105,977                                     | 538,105,977 | 570,207,274              | -         |

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 profit or loss | 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  | Government and Public Sector |             |             |             |             |              |            |             |                              |               | Total |
|--|------------------------------|-------------|-------------|-------------|-------------|--------------|------------|-------------|------------------------------|---------------|-------|
|  | Financial                    | Industrial  | Services    | Trade       | Real-estate | Agricultural | Shares     | Individuals | Government and Public Sector | Total         |       |
|  | JD                           | 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 profit or loss | 29,856,313                   | 3,536,138   | -           | -           | 184,482     | -            | -          | -           | 25,333,641                   | 58,910,574    |       |
| Within financial assets at amortized cost                    | 30,795,208                   | -           | -           | -           | -           | -            | -          | -           | 448,400,195                  | 479,195,403   |       |
| 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<br>Currency Rate | Effect on<br>Profit and Loss | Effect on Owners'<br>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<br>Currency Rate | Effect on<br>Profit and Loss | Effect on Owners'<br>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<br>Indicator | Effect on<br>Profit and Loss | Effect on<br>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<br>Indicator | Effect on<br>Profit and Loss | Effect on<br>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, and using hedging policies through the adoption of advanced financial instruments such as derivatives.

**Interest rate sensitivity is as follows:**

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   | 79,756,264    | 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                 |
| <b>Assets:</b>  |                    |                   |                   |                |                   |                    |
| Cash and balances at 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                 | -              | 155,458           | 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   | 156,303            | -                 | -                 | -              | -                 | 156,303            |
| Other assets  | 5,702,045          | 171,259           | 9,155             | -              | 163,217           | 6,045,676          |
| <b>Total Assets</b>   | <b>764,725,169</b> | <b>50,303,510</b> | <b>17,884,837</b> | <b>806,350</b> | <b>20,511,103</b> | <b>854,230,969</b> |
| <b>Liabilities:</b>   |                    |                   |                   |                |                   |                    |
| 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        | 461,540,639        |
| Cash margins  | 18,727,747         | 596,318           | 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          |
| <b>Total Liabilities</b>  | <b>731,877,821</b> | <b>50,275,456</b> | <b>17,884,480</b> | <b>802,190</b> | <b>19,924,082</b> | <b>820,763,829</b> |
| <b>Net Concentration on Consolidated Statement of Financial Position for the Current Year</b>       | <b>32,847,348</b>  | <b>28,054</b>     | <b>357</b>        | <b>4,160</b>   | <b>587,021</b>    | <b>33,467,140</b>  |
| <b>Off-Statement of Consolidated Financial Position Contingent Liabilities for the Current Year</b> | <b>214,241,233</b> | <b>20,561,260</b> | <b>412,085</b>    | <b>464,109</b> | <b>12,556,824</b> | <b>248,220,511</b> |

| December 31, 2015   | US Dollar          | Euro              | Pound Sterling     | Japanese Yen     | Others            | Total              |
|---|--------------------|-------------------|--------------------|------------------|-------------------|--------------------|
|   | JD                 | JD                | JD                 | JD               | JD                | JD                 |
| <b>Assets:</b>  |                    |                   |                    |                  |                   |                    |
| Cash and balances at central banks  | 47,143,660         | 5,866,321         | 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  | 425,476,429        | 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  | 1,530,160          | -                 | -                  | -                | -                 | 1,530,160          |
| Intangible assets   | 155,859            | -                 | -                  | -                | -                 | 155,859            |
| Other assets  | 4,753,427          | 163,258           | 8,455              | -                | 150,232           | 5,075,372          |
| <b>Total Assets</b>   | <b>721,801,936</b> | <b>78,495,442</b> | <b>13,054,427</b>  | <b>338,848</b>   | <b>36,093,979</b> | <b>849,784,632</b> |
| <b>Liabilities:</b>   |                    |                   |                    |                  |                   |                    |
| Banks and financial institutions deposits   | 296,473,771        | 6,588,867         | -                  | -                | -                 | 303,062,638        |
| Customers' deposits   | 395,795,274        | 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   | 2,295,815          | 169,573           | 60,584             | 914              | 66,321            | 2,593,307          |
| <b>Total Liabilities</b>  | <b>702,786,986</b> | <b>44,405,966</b> | <b>19,250,381</b>  | <b>1,136,760</b> | <b>15,707,042</b> | <b>783,287,135</b> |
| <b>Net Concentration on Consolidated Statement of Financial Position for the Current Year</b>       | <b>19,014,950</b>  | <b>34,089,476</b> | <b>(6,195,954)</b> | <b>(797,912)</b> | <b>20,386,937</b> | <b>66,497,487</b>  |
| <b>Off-Statement of Consolidated Financial Position Contingent Liabilities for the Current Year</b> | <b>151,178,175</b> | <b>9,763,254</b>  | <b>233,642</b>     | <b>1,562,854</b> | <b>4,856,251</b>  | <b>167,594,176</b> |

#### 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 daily by the Bank.
- ⦿ Liquidity is also monitored by the Assets and Liabilities Management Committee headed by the General Manager through periodic reports.

|   | December 31, 2016 |             |             |             |             |             |             |               |               |               | Total         |               |               |
|---|-------------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|
|   | One Month         | Months      |             | to 6 Months |             | to 1 Year   |             | up to 3 Years |               | 3 Years       |               | Maturity      |               |
|   | JD                | JD          | JD          | JD          | JD          | 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  | -           | -           | -             | -             | -             | -             | -             | 33,636,542    |
| Other provisions                          | -                 | -           | -           | -           | -           | -           | -           | -             | -             | -             | -             | -             | 12,105,531    |
| Income tax provision                      | 2,254,318         | -           | 12,312,984  | -           | -           | -           | -           | -             | -             | -             | -             | -             | 14,567,302    |
| Deferred tax liabilities                  | -                 | -           | -           | -           | -           | -           | -           | -             | -             | -             | -             | -             | 2,937,750     |
| Other liabilities                         | 16,695,382        | 2,579,688   | 2,513,537   | 3,687,650   | 3,839,954   | -           | -           | -             | -             | -             | -             | -             | 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 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 |
| Total Assets                              | 911,345,066       | 242,016,408 | 168,925,699 | 184,649,754 | 595,691,197 | 432,650,312 | 214,706,980 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 | 2,739,985,416 |

[illegible]

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

#### 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,       | 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,       | 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 into 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 in adherence 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 30, 2016, the Central Bank of Jordan issued Basel III instructions on capital adequacy and cancelled Basel II instructions relating to the adequacy of regulatory capital.

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:

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

- \* 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<br>JD              |
|---|-------------------------|
|   | (Thousand)              |
| <b>Primary Capital Items:</b>   |                         |
| 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                  |
| <b>Less:</b>  |                         |
| 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>            |
| <b>Total Primary Capital</b>  | <u><b>376,248</b></u>   |
| <b>Supplementary Capital Items:</b>   |                         |
| 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                   |
| <b>Less:</b>  |                         |
| 50% of investments in insurance companies, financial institutions and significant investments in other companies                                    | <u>6,986</u>            |
| <b>Total Regulatory Capital</b>   | <u><b>384,769</b></u>   |
| <b>Total Risk - Weighted Assets</b>   | <u><b>2,111,023</b></u> |
| <b>Ratio of regulatory capital</b>  | <u><b>18.23%</b></u>    |
| <b>Primary capital ratio *</b>  | <u><b>17.82%</b></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                   |
| <b>ASSETS:</b>  |                      |                      |                      |
| 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          |
| <b>TOTAL ASSETS</b>   | <b>1,506,936,990</b> | <b>1,233,048,426</b> | <b>2,739,985,416</b> |
| <b>LIABILITIES</b>  |                      |                      |                      |
| 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           |
| <b>TOTAL LIABILITIES</b>                                    | <b>2,113,575,368</b> | <b>161,235,207</b>   | <b>2,274,810,575</b> |
| <b>NET ASSETS</b>   | <b>(606,638,378)</b> | <b>1,071,813,219</b> | <b>465,174,841</b>   |

  

|   | December 31, 2015    |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | Up to                | More than            | Total                |
|   | One Year             | One Year             |                      |
|   | JD                   | JD                   | JD                   |
| <b>ASSETS</b>   |                      |                      |                      |
| 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          |
| <b>TOTAL ASSETS</b>   | <b>1,768,624,219</b> | <b>1,076,107,284</b> | <b>2,844,731,503</b> |
| <b>LIABILITIES</b>  |                      |                      |                      |
| 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           |
| <b>TOTAL LIABILITIES</b>                                    | <b>2,236,168,932</b> | <b>154,309,102</b>   | <b>2,390,478,034</b> |
| <b>NET ASSETS</b>   | <b>(467,544,713)</b> | <b>921,798,182</b>   | <b>454,253,469</b>   |

#### 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).

| Financial Assets/Financial Liabilities                      | Fair Value   |             | The Level of<br>Fair Value | Evaluation Method<br>and Inputs used   | Important Intangible<br>Inputs | Relation between the Fair Value<br>and the Important Intangible Inputs |
|---|--------------|-------------|----------------------------|--|--------------------------------|--|
|   | December 31, |             |                            |  |                                |  |
|   | 2016         | 2015        |                            |  |                                |  |
|   | 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                  | Rates stated in financial<br>markets   | N/A                            | N/A  |
| Companies bonds   | 58,910,574   | 64,457,293  | Level One & Two            | Rates stated in financial<br>markets and comparing<br>them with the market<br>price of a similar<br>financial instrument | N/A                            | N/A  |
| Total   | 69,705,520   | 76,219,060  |                            |  |                                |  |
| Foreign currency derivatives contracts                      | -            | 741         | Level One                  | Rates stated in financial<br>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                  | Rates stated in financial<br>markets   | N/A                            | N/A  |
| Shares with no available market price                       | 19,927,727   | 19,434,946  | Level Two                  | Rates stated in financial<br>markets and comparing<br>them with the market<br>price of a similar<br>financial instrument | 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<br>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                   |                 |            |
| <b>Financial Assets of Non-specified Fair Value</b>            |                      |                      |                      |                      |                 |            |
| 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          | 505,749,876          | 508,699,397          | Level One & Two |            |
| <b>Total Financial Assets of Non-specified Fair Value</b>      | <b>2,392,398,393</b> | <b>2,378,296,772</b> | <b>2,475,137,358</b> | <b>2,486,362,082</b> |                 |            |
| <b>Financial Liabilities of Non-specified Fair Value</b>       |                      |                      |                      |                      |                 |            |
| 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           | 33,316,160           | 24,015,900           | 24,300,739           | Level Two       |            |
| <b>Total Financial Liabilities of Non-specified Fair Value</b> | <b>2,209,282,080</b> | <b>2,203,078,814</b> | <b>2,327,834,861</b> | <b>2,334,284,969</b> |                 |            |

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 | 113,959,438  | 93,298,999  |
| Total                                 | 495,511,682  | 448,306,307 |

##### 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                    | 1,764,172    | 1,251,863 |
| Total  | 6,868,104    | 5,175,407 |

##### 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><br>The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"><li>• there is consideration that is denominated or priced in a foreign currency;</li><li>• 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</li><li>• the prepayment asset or deferred income liability is non-monetary.</li></ul> | 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> :<br>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> :<br>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 *Financial Instruments: Disclosures* 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 *Leases*

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

January 1, 2019

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (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 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

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

January 1, 2018

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

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39. However, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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 practical to provide a reasonable estimate of the effects of applying these standard until the Bank conducts a detailed review regarding this matter.