

بورصة عمان  
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نموذج رقم (2-1)

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To : Jordan Securities Commission

Amman Stock Market

Subject: Audited Financial Statements For  
The Fiscal year ended 31/12/2017.

السادة : هيئة الأوراق المالية

السادة : بورصة عمان

الموضوع : البيانات المالية السنوية المدققة للسنة المنتهية في  
2017/12/31

Attached the Audited Financial Statements of  
(The Housing Bank for Trade and Finance) for  
the fiscal year ended 31/12/2017 , Attached are  
also the English copy of these financial  
statements

These results are subject to approval of the  
Central Bank of Jordan .

مرفق طيه نسخة من البيانات المالية المدققة لشركة  
(بنك الإسكان للتجارة والتمويل) عن السنة المنتهية  
في 2017/12/31 ، كما نرفق هذه البيانات مترجمة للغة  
الإنجليزية .

علماً بأن هذه النتائج أولية و خاضعة لموافقة البنك  
المركزي الأردني .

Kindly accept high appreciation and respect

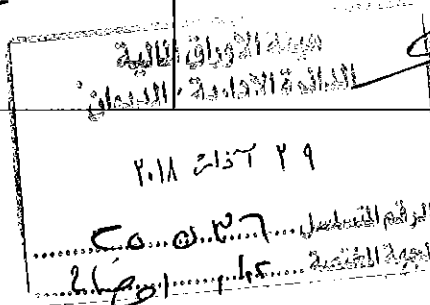
وتفضلوا بقبول فائق الاحترام ،،

The Housing Bank for Trade and Finance

بنك الاسكان للتجارة والتمويل

Chief Financial Officer : Mr. Khaled Al-  
Thahabi

رئيس المجموعة المالية : خالد الذهبي



*[Handwritten signature]*

**THE HOUSING BANK FOR TRADE AND FINANCE**  
**A PUBLIC SHAREHOLDING COMPANY**  
**AMMAN – JORDAN**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of the Housing Bank for Trade and Finance  
**Amman – The Hashemite Kingdom of Jordan**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of The Housing Bank for Trade and Finance (A Public Shareholding Company) "The Bank", which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### **Basis for Opinion**

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

#### **Other Matters**

1. The consolidated financial statements for the year ended December 31, 2016 were audited by Ernst & Young – Jordan as the sole auditor of the Bank for the year 2016. An unqualified opinion was issued on the consolidated financial statements for the year ended December 31, 2016 on January 26, 2017. Deloitte and Touche (Middle East) - Jordan and Ernst & Young – Jordan were appointed as joint auditors for the Bank for the year ended December 31, 2017 in accordance with the Central Bank of Jordan regulations for corporate governance.
2. The accompanying consolidated financial statement are a translation of the original consolidation financial statement which are in Arabic language, to which reference should be made.



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of 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. For each matter below, our description of how our audit addressed the matter provided in that context.

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

<p><b>Impairment of credit facilities portfolio</b></p> <p>Impairment of the credit facilities portfolio is one of the most significant matters that affect the reported results of the Bank, in addition to being an area that requires a considerable amount of judgment for determining the impairment event and the measurement of impairment loss.</p> <p>Judgment is applied to the inputs of the measurement process of impairment including valuation of collateral. As at 31 December 2017, the gross direct credit facilities amounted to JD 4,489,400,787, against which an accumulated direct credit facilities allowance for impairment of JD 188,508,307 was recorded.</p>	<p><b>Scope of Audit to Address the Risk</b></p> <p>Our audit procedures included assessment of the appropriateness of provisioning methodologies and policies. We obtained the non-performing and watch list loans schedules, and samples were selected to test impairment, including collateral valuation, and assessment of the required provision based on the default date. We also selected a sample from the performing loans to determine whether management had identified all impairment events.</p> <p>Disclosures of impairment of credit facilities portfolio are detailed in Note 8 and Note 2 to the consolidated financial statements</p>
<p><b>Suspension of interest on non-performing loans</b></p> <p>Interest is suspended after 90 days from the impairment event. Judgment is applied as to determining when the default date occurred which affects the amount of interest to be suspended.</p>	<p><b>Scope of Audit to Address the Risk</b></p> <p>Our audit procedures included selecting a sample from the schedules of non-performing loans and interest in suspense; testing suspended interest including its recalculation in accordance with CBJ regulations; and assessing the criteria used by management for determining the impairment event.</p> <p>Disclosures of interest in suspense are detailed in Note 8 to the consolidated financial statements.</p>
<p><b>Valuation of financial assets at fair value</b></p> <p>The valuation of financial assets at fair value in unquoted equities is a complex area that requires the use of models and forecasting of future cash flows to determine the fair value of the investments. As at 31 December 2017, the unquoted financial assets amounted to JD 15,765,476.</p>	<p><b>Scope of Audit to Address the Risk</b></p> <p>Our audit procedures included an assessment of the methodology and appropriateness of the valuation models and inputs used to value unquoted financial assets. We assessed the reasonableness of key inputs used in the valuation such as expected cash flows and discount rate by benchmarking them with external data.</p> <p>Disclosures of financial assets through profit or loss are detailed in Note 7 to the consolidated financial statements.</p>



**Other information included in the Bank's 2017 annual report.**

Other information consists of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Bank's 2017 annual report is expected to be made available to us after the date of the auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and implementation of the Group audit. We remain solely responsible for our audit opinion.

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



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

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

#### **Report on Other Legal and Regulatory Requirements**

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

Amman – Jordan  
February 1, 2018

Ernst & Young – Jordan



Ernst & Young

Deloitte and Touche (Middle East) – Jordan



**THE HOUSING BANK FOR TRADE AND FINANCE**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2017**

	<u>Notes</u>	<b>31 December 2017 JD</b>	<b>31 December 2016 JD</b>
<b><u>ASSETS</u></b>			
Cash and balances at central banks	4	1,249,146,768	1,052,501,966
Balances at banks and financial institutions	5	494,547,239	549,833,560
Deposits at banks and financial institutions	6	38,122,776	22,795,894
Financial assets at fair value through profit or loss	7	21,399,878	21,957,719
Direct credit facilities - net	8	4,208,383,422	4,042,066,469
Financial assets at fair value through other comprehensive income	9	1,983,995	580,524
Financial assets at amortized cost- net	10	1,781,141,993	1,791,900,701
Property and equipment- net	11	179,559,351	168,524,627
Intangible assets- net	12	25,083,022	24,351,994
Deferred tax assets	19	38,384,838	40,738,707
Other assets	13	103,186,885	104,973,034
<b>Total Assets</b>		<b>8,140,940,167</b>	<b>7,820,225,195</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b><u>LIABILITIES</u></b>			
Banks and financial institutions deposits	14	541,721,932	493,163,142
Customers' deposits	15	5,828,132,571	5,647,527,093
Margin accounts	16	266,606,789	328,901,283
Loans and Borrowings	17	114,136,785	38,338,502
Sundry provisions	18	55,284,690	56,024,369
Income tax liability	19	50,509,319	57,000,430
Deferred tax liabilities	19	2,185,858	2,056,712
Other liabilities	20	166,131,862	137,163,122
<b>Total Liabilities</b>		<b>7,024,709,806</b>	<b>6,760,174,653</b>
<b><u>Equity</u></b>			
<b><u>EQUITY ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS</u></b>			
Paid-in capital	21	315,000,000	252,000,000
Share premium	21	328,147,537	357,925,469
Statutory reserve	22	206,742,971	189,054,310
Voluntary reserve	22	-	33,222,068
General banking risks reserve	22	37,608,684	36,101,000
Special reserve	22	8,807,007	7,752,032
Foreign currency translation reserve	23	(106,641,415)	(110,715,554)
Revaluation reserve for financial assets- net	24	(109,459)	(344,677)
Retained earnings	25	273,604,841	247,953,497
<b>Total Equity Attributable to the Bank's Shareholders</b>		<b>1,063,160,166</b>	<b>1,012,948,145</b>
<b>Non – Controlling Interests</b>		<b>53,070,195</b>	<b>47,102,397</b>
<b>Total Equity</b>		<b>1,116,230,361</b>	<b>1,060,050,542</b>
<b>Total Liabilities and Equity</b>		<b>8,140,940,167</b>	<b>7,820,225,195</b>

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

**THE HOUSING BANK FOR TRADE AND FINANCE**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>Notes</u>	<u>2017</u> <u>JD</u>	<u>2016</u> <u>JD</u>
Interest income	27	379,106,993	361,758,831
Interest expense	28	(109,993,008)	(91,839,894)
<b>Net Interest Income</b>		<b>269,113,985</b>	<b>269,918,937</b>
Net commission income	29	22,569,539	25,160,981
<b>Net Interest and Commission Income</b>		<b>291,683,524</b>	<b>295,079,918</b>
Net gain from foreign currency exchange	30	751,411	20,720,472
(Loss) from financial assets at fair value through profit or loss	31	(297,676)	(468,179)
Other income	32	33,906,207	49,304,210
<b>Gross Income</b>		<b>326,043,466</b>	<b>364,636,421</b>
Employees expenses	33	75,816,419	74,955,250
Depreciation and amortization	11,12	15,439,485	15,628,444
Other expenses	34	52,729,705	52,165,231
Impairment loss on direct credit facilities	8	308,256	12,875,272
Allowance for impairment loss of amortized cost	10	562,132	900,000
Sundry provisions	18	1,174,773	17,776,093
<b>Total Expenses</b>		<b>146,030,770</b>	<b>174,300,290</b>
<b>Profit before income tax</b>		<b>180,012,696</b>	<b>190,336,131</b>
Income tax expense	19	(54,808,429)	(59,323,518)
<b>Profit for the year</b>		<b>125,204,267</b>	<b>131,012,613</b>
Attributable to:			
<b>Bank's Shareholders</b>		121,868,089	123,787,093
<b>Non-Controlling Interests</b>		3,336,178	7,225,520
		<b>125,204,267</b>	<b>131,012,613</b>
Basic and diluted earnings per share attributable to the Bank's shareholders	35	<b>JD 0.387</b>	<b>JD 0.393</b>

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

THE HOUSING BANK FOR TRADE AND FINANCE  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2017

	<u>2017</u>	<u>2016</u>
	<u>JD</u>	<u>JD</u>
<b>Profit for the year</b>	125,204,267	131,012,613
<b>Add: Other comprehensive income items that will be reclassified subsequently to statement of income</b>		
Foreign currency translation adjustments	7,386,602	(28,826,079)
<b>Add: Other comprehensive income items that will not be reclassified subsequently to statement of income</b>		
Change in fair value reserve - net after tax	235,218	4,335
<b>Total Other comprehensive income (loss) for the year</b>	<u>7,621,820</u>	<u>(28,821,744)</u>
<b>Total comprehensive income for the year</b>	<u>132,826,087</u>	<u>102,190,869</u>
<b>Attributable to:</b>		
<b>Bank's shareholders</b>	126,177,446	102,948,041
<b>Non-controlling interests</b>	6,648,641	(757,172)
	<u>132,826,087</u>	<u>102,190,869</u>

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them



**THE HOUSING BANK FOR TRADE AND FINANCE**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	Reserves										Non-Controlling Interests	Total Equity
	Paid-in Capital	Share Premium	Reserves					Retained Earnings	Total			
			Statutory	Voluntary	Special	General Banking Risks	Foreign Currency Translation Reserve			Revaluation Reserve for Financial Assets		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
2017												
Balance beginning of the year	252,000,000	357,925,469	189,054,310	33,222,068	7,752,032	36,101,000	(110,715,554)	(344,677)	247,953,497	1,012,948,145	47,102,397	1,060,050,542
Income for the year	-	-	-	-	-	-	-	-	121,868,089	121,868,089	3,336,178	125,204,267
Other comprehensive income for the year	-	-	-	-	-	-	4,074,139	235,218	-	4,309,357	3,312,463	7,621,820
Total comprehensive income for the year	-	-	-	-	-	-	4,074,139	235,218	121,868,089	126,177,446	6,648,641	132,826,087
Increase in capital	63,000,000	(29,777,932)	-	(33,222,068)	-	-	-	-	-	-	-	-
Paid in capital	-	-	-	-	-	-	-	-	(365,425)	(365,425)	-	(365,425)
Transfer to / from reserves	-	-	17,688,661	-	1,054,975	1,507,684	-	-	(20,251,320)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(75,600,000)	(75,600,000)	(680,843)	(76,280,843)
Balance - End of the Year	315,000,000	328,147,537	206,742,971	-	8,807,007	37,608,684	(106,641,415)	(109,459)	273,604,841	1,063,160,166	53,070,195	1,116,230,361
2016												
Balance beginning of the year	252,000,000	357,925,469	172,277,768	33,222,068	7,272,603	32,401,000	(89,872,167)	(349,012)	225,919,340	990,797,069	48,543,186	1,039,340,255
Income for the year	-	-	-	-	-	-	-	-	123,787,093	123,787,093	7,225,520	131,012,613
Other Comprehensive income for the year	-	-	-	-	-	-	(20,843,387)	4,335	-	(20,839,052)	(7,982,692)	(28,821,744)
Total comprehensive income for the year	-	-	-	-	-	-	(20,843,387)	4,335	123,787,093	102,948,041	(757,172)	102,190,869
Transfer to / from reserves	-	-	16,776,542	-	479,429	3,700,000	-	-	(20,955,971)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(80,640,000)	(80,640,000)	(738,435)	(81,378,435)
Others	-	-	-	-	-	-	-	-	(156,965)	(156,965)	54,818	(102,147)
Balance - End of the Year	252,000,000	357,925,469	189,054,310	33,222,068	7,752,032	36,101,000	(110,715,554)	(344,677)	247,953,497	1,012,948,145	47,102,397	1,060,050,542

- The general banking risks reserve and the special reserve are restricted reserves that cannot be utilized without the approval of the Central Bank of Jordan.
- The Bank cannot use a restricted amount of JD 6,455,941 which represents the unrealized gains on financial assets through profit or loss according to the regulations of Jordan Securities Commission.
- The balance of retained earnings includes JD 247,353 which represents the effect of early application of International Financial Reporting Standard No. (9) and this amount is restricted from use except for the amounts that become realized through sale transaction.
- The Bank cannot use a restricted amount of JD 38,384,838 from the retained earnings, which represents deferred taxes and the amount of JD 109,459 which represent a negative change of financial assets at fair value through Comprehensive income. These amounts, cannot be used for capitalization or distribution except for the amounts actually realized according to the Central Bank of Jordan Regulations and Jordan Securities commission.
- The Bank cannot use a restricted amount of JD 14,275,651 from the retained earnings, which represents foreign currency revaluation gain at the International Bank of Trade and Finance in Syria during this year and prior years.
- The distributable profit amounted to JD 181,740,283 as of 31 December 2017.

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them

**THE HOUSING BANK FOR TRADE AND FINANCE**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

	<u>Notes</u>	<b>2017</b>	<b>2016</b>
		<b>JD</b>	<b>JD</b>
<b><u>OPERATING ACTIVITIES</u></b>			
Profit before income tax		<b>180,012,696</b>	<b>190,336,131</b>
<b>Adjustments for non - cash items:</b>			
Depreciation and amortization		15,439,485	15,628,444
Impairment loss on direct credit facilities		308,256	12,875,272
Unrealized losses on financial assets at fair value through profit or loss		568,800	648,647
End-of-service indemnity expense		3,542,869	3,821,582
Premium and discount amortization		537,485	952,161
Net accrued interest and commission income		6,727,814	1,318,605
Effect of change in exchange rates on cash and cash equivalents		812,778	(19,334,876)
Others		1,884,007	19,132,316
<b>Cash Flows from Operating Activities before Changes in Assets and Liabilities</b>		<b>209,834,190</b>	<b>225,378,282</b>
<b>Decrease (Increase) in Assets</b>			
Deposits with central banks (maturing after more than 3 months)		-	56,600,000
Deposits with banks and financial institutions (maturing after more than 3 months)		(15,326,882)	1,828,695
Direct credit facilities		(169,765,897)	(549,379,178)
Financial assets at fair value through profit or loss		(10,959)	(383,750)
Other assets		(817,959)	(13,428,865)
<b>Increase (Decrease) in Liabilities</b>			
Banks and financial institutions deposits (maturing after more than 3 months)		5,448,619	(47,196,936)
Customers' deposits		180,605,478	(162,226,770)
Margin accounts		(62,294,494)	49,792,796
Other liabilities		23,485,356	9,319,845
Miscellaneous provisions		(6,981,067)	(5,632,925)
<b>Net Cash Flows from (used in) Operating Activities before Income Tax Paid</b>		<b>164,176,385</b>	<b>(435,328,806)</b>
Income tax paid		(58,901,137)	(51,345,650)
<b>Net Cash Flows from (used in) Operating Activities</b>		<b>105,275,248</b>	<b>(486,674,456)</b>
<b><u>INVESTING ACTIVITIES</u></b>			
(Purchase) of financial assets through other comprehensive income		(1,168,253)	-
(Purchase) of financial assets at amortized cost		(554,777,485)	(657,077,207)
Maturity of financial assets at amortized cost		564,436,576	1,228,952,417
(Purchase) of property and equipment - net		(22,272,126)	(26,532,350)
Sale of property and equipment - net		1,850,637	3,554,702
(Purchase) of intangible assets		(5,504,093)	(3,734,647)
<b>Net Cash Flows from (used in) Investing Activities</b>		<b>(17,434,744)</b>	<b>545,162,915</b>
<b><u>FINANCING ACTIVITIES</u></b>			
Repayment of borrowed fund		(18,908,106)	(15,037,980)
Proceed from borrowed fund		94,706,389	22,346,007
Dividends paid		(75,553,698)	(80,568,933)
Non-controlling interests - net		(680,843)	(738,435)
<b>Net Cash Flows (used in) Financing Activities</b>		<b>(436,258)</b>	<b>(73,999,341)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>		<b>87,404,246</b>	<b>(15,510,882)</b>
Effect of change in exchange rate on cash and cash equivalents		10,844,064	(23,265,154)
Cash and cash equivalents - beginning of the year		1,172,957,113	1,211,733,149
<b>Cash and Cash Equivalents - End of the Year</b>	36	<b>1,271,205,423</b>	<b>1,172,957,113</b>

The accompanying notes from 1 to 49 are part of these consolidated financial statements and should be read with them



## **1- GENERAL**

The Housing Bank for Trade and Finance (the Bank) was established in 1973 and registered as a public shareholding company with its headquarters in Amman - Jordan in accordance with the Jordanian Companies Law 12 of 1964.

The Bank is engaged in all banking and financial activities through its headquarter in Amman and its branches in Jordan (130 branches) and abroad; Palestine and Bahrain (16 branches) and through its subsidiaries in Jordan, Syria, Algeria, and the United Kingdom.

The Bank's shares are traded on Amman Stock Exchange.

The consolidated financial statements were approved by the Bank's Board of Directors in their meeting No.(1/2018) dated in 25 January 2018. These consolidated financial statements are subject to the approval of the General Assembly of Shareholders.

## **2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of Preparation**

The accompanying consolidated financial statements for the Bank and its subsidiaries have been prepared in accordance with the standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretation Committee arising from the International Accounting Standards Committee and in conformity with the local applicable laws and regulations and the regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared on the historical cost basis except for financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are presented at fair value as of the date of the consolidated financial statements.

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

### **Changes in accounting policies:**

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016 except the following starting from 1 January 2017:

### **Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative**

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

### **Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Un-recognised Losses**

Limited amendments to clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference and some other limited amendments, the adoption of these amendments have no impact on the Bank's consolidated financial statements.



### **Basis of Consolidation**

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

#### **A. Foreign subsidiaries**

- International Bank for Trade and Finance / Syria (paid-in capital Syrian Lira 5.25 billion, of which the Bank owns 49.063%). The Bank has the power to control the administrative and financial policies of this bank. Therefore, its financial statements have been consolidated with the financial statements of the Bank. The main objective of this bank is to conduct commercial banking activities, and the ownership of this bank dates back to 2003. In addition, the International Bank for Trade and Finance has a subsidiary – The International Financial Center/ Syria with an ownership percentage of 85% of the company's capital amounting to 100 Million SYL, whereas the Housing Bank for Trade and Finance owns a percentage of 5% of the company's capital.
- The Housing Bank for Trade and Finance – Algeria: an ownership ratio of 85%) of the bank's capital of 10 Billion Algerian Dinars, The main objective of this bank is to conduct commercial banking activities and the ownership of this bank dates back to 2002.
- Bank of Jordan International / London: The ownership is 75% of the paid-up capital which amounted to 65 million Pounds (65 million shares), par value £ 1 per share, the main objective of the bank is to conduct banking activities.

#### **B. Local subsidiaries**

- International Financial Center Company- Jordan (paid-in capital JD 5 million, of which the Bank owns 77.5%). The Company's main activity is financial brokerage in local and foreign markets, and conducts purchase and sale transactions of financial instruments for customers and for the company. The Bank ownership in this company dates back to 1998.
- Specialized Lease Finance Company - Jordan, of which the Bank owns 100% of paid-in capital of JD 30 million. The Company's main activity is finance leases of various equipment and machinery in addition to real estate, land, and vehicles and other items that are purchased by the company for finance lease purposes and the Bank ownership in this company dates back to 2005.
- Jordan Real Estate Investments Company - Jordan. The Bank owns 100% of this company's paid-in capital of JD 40,000. The company's main activity is to manage non-banking services personnel, and the Bank ownership in this company dates back to 1997.
- The financial statements of the subsidiaries are prepared for the same reporting period as the Bank and the same accounting policies, if different policies are adopted then adjustments are done to the subsidiaries financial statements to be in line with the Bank's policies.
- The results of operations of the subsidiaries are consolidated in the consolidated income statement from the acquisition date which is the date on which control over the subsidiaries is transferred to the Bank. The results of operations of the disposed of subsidiaries are consolidated in the consolidated income statement up to the disposal date which is the date of the Bank loses control over the subsidiaries.
- Non-controlling interests represent the portion of equity in the subsidiaries owned by others.



### **Segment Information**

Business sectors represent a group of assets and operations that jointly provide products or services subject to risks and returns different from those of other business sectors (measured in accordance with the reports sent to the operations management and decision makers in the bank).

Geographical sector relates to providing of products or services in a specific economic environment subject to risk and returns different from those of sectors functioning in other economic environments.

### **Financial assets at amortized cost:**

- Financial assets that the banks management aims, according to its business model to hold the assets to collect their contractual cash flows and that the contractual terms of the financial asset give rise, on specified dates, to cash flows constituting solely principal and interest on the outstanding principal amounts.
- Debt instruments meeting these criteria are initially measured at amortized cost plus transaction costs. Subsequently they are amortized using the effective interest rate method less allowance for impairment. The losses arising from impairment are recognized in the income statement.
- The amount of the impairment consists of the difference between the book value and present value of the expected future cash flows discounted at the original effective interest rate.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards. (If these assets are sold before maturity date, gain or loss from sale is recorded in a separate line item within the income statement and disclosing it in accordance with the requirements of International Financial Reporting Standards).

### **Financial assets at fair value through profit or loss:**

- Financial assets which are purchased with the aim of resale in the near future in order to generate profit from the short-term market prices fluctuation or the trading profit margins.
- Financial instruments at fair value through profit or loss are initially measured at fair value, transaction costs are recorded in the income statement at the date of transaction. Subsequently, these assets are revalued at fair value. Gains or losses arising on subsequent measurement of these financial assets including the change in fair value arising from non-monetary assets in foreign currencies are recognized in the income statement. When these assets or portion of these assets are sold, the gain or loss arising is recorded in the income statement.
- Dividend and interest income are recorded in the income statement.  
It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards.

### **Financial assets at fair value through other comprehensive income**

- Equity investments that are not held for sale in the near future.
- These financial instruments are initially measured at their fair value plus transaction costs. Subsequently, they are measured at fair value. Gains or losses arising on subsequent measurement of these equity investments including the change in fair value arising from non-monetary assets in foreign currencies are recognized in other comprehensive income in the statement of changes in equity. The gain or loss on disposal of the asset is reclassified from fair value through other comprehensive income reserve to retained earnings.
- It is not permitted to reclassify assets to or from this category except in certain circumstances determined in the International Financial Reporting Standards.
- These financial assets are not subject to impairment testing.
- Dividend income is recognized in the statement of income in a separate item.



### **Direct Credit Facilities**

Direct credit facilities are financial assets with fixed or determinable payments which are provided basically by the Bank or have been acquired and has no market price in the active markets. The credit facilities are measured at amortized cost.

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

Interest and commission on non-performing facilities are suspended when loans become impaired according to the regulations of the Central Bank of Jordan, or in accordance with the instructions regulatory authorities in the countries where the bank has branches or subsidiaries, which ever is greater.

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

### **Fair Value**

The closing prices (purchase of assets/ sale of liabilities) on the date of financial statements in active markets represent the fair value for the financial instruments and derivatives which have market price.

For some financial instruments and derivatives that do not have quoted market prices or absence of active trading the fair value is determined in several ways, including:

- Comparing the current market value of a financial instrument similar to a large extent
- Analysis of future cash flows and discounting the expected cash flows using rate used in similar financial instrument.
- Pricing models.
- The long-term interest free financial assets and liabilities are carried at the amortized cost using effective interest method, and discounts / premiums amortization are included in finance income / expense in the consolidated income statement.

The valuation method aims to reflect market expectations and expected risks and rewards when estimating the fair value. Where the fair value of an investment cannot be reliably measured, it is stated at cost and any impairment in the value is recorded in the income statement

### **Impairment of Financial Assets**

Assessment is made at the date of the consolidated of the statement of financial position to determine whether there is objective evidence that a specific financial asset is impaired individually or as a group. If such evidence exists, any impairment loss is recognized in the consolidated income statement.

#### **Impairment is determined as follows:**

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

Impairment is recognized in the consolidated income statement. Any subsequent recovery of a previously recorded impairment of debt instruments is recoded in the income statement.

### **Property and Equipment**

Property and equipment are measured at cost less accumulated depreciation and any impairment. Property and equipment (except land) are depreciated when ready for use using the straight line method over its expected useful life.

The depreciation rates used are as follows:

	<u>%</u>
Buildings	2
Equipment, furniture and fixtures	5-15
Vehicles	20
Computer	10-33

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount, and the impairment is charged to the income statement.

Useful life of property and equipment is reviewed at each year end, changes in the expected useful life are treated as changes in accounting estimates.

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

### **Loans and Borrowings**

All loans are initially recognized at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans are subsequently measured at amortized cost using the effective interest method.

### **Provisions**

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

### **End-of-Service Indemnity**

Provision for end-of-service indemnity is booked by the Bank for any legal or contractual obligations at the end of the employees' services according to the accumulated service terms at the date of the consolidated statement of financial position and the Bank's internal policies.



### **Income Tax**

Tax expense comprises of current tax and deferred taxes.

Current tax is based on taxable profits, which may differ from accounting profits published in the financial statements. Accounting profits may include non-taxable profits or tax non-deductible expenses which may be exempted in the current or subsequent financial years, or accumulated losses that are tax acceptable or items not subject to deduction for tax purposes.

Tax is calculated based on tax rates and laws that are applicable in the country of operation.

Deferred tax is the tax expected to be paid or recovered due to temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured at the tax rates expected to be applied in the period when the asset is realized or the liability is settled, based on the laws enacted or substantially enacted at the date of the consolidated statement of financial position.

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

### **Offsetting**

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

### **Revenue and Expense Recognition**

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

Expenses are recognized on an accrual basis.

Commission income is recognized upon the rendering of services. Dividend income is recognized when earned (when approved by the General Assembly).

### **Paid in Capital**

#### **Cost of Issuing and Purchasing Paid-in Capital**

Cost of issuing paid-in capital and costs of purchasing treasury shares are recorded in retained earnings (net of tax). If such issuance and purchase are not completed, the related cost is recognized in the income statement.

### **Fiduciary Assets**

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

### **Recognition Date of Financial Assets**

Purchases and sales of financial assets are recognized on the trading date, (i.e. the date on which the Bank commits to purchase or sell the financial asset).

### **Derivative Financial Instruments**

#### **Derivative financial instruments held for trading**

Derivative financial instruments held for trading, such as foreign currency forward and future deals, interest rate forward and future deals, swaps, foreign currency options and others, are recorded at fair value in the consolidated statement of financial position. Fair value is determined by reference to current market prices. In case such prices were not available, the method of valuation is stated, and changes in fair value are transferred to the consolidated income statement.

#### **Repurchase and Resale Agreements**

Assets sold with a simultaneous commitment to repurchase at a specified future date (repos) will continue to be recognized in the Bank's consolidated financial statements due to the Bank's control of these assets and the fact that continuing exposure to the risks and rewards of these assets remains with the Bank and continue to be evaluated in accordance with applied accounting policies (where the buyer has the right to use these assets (sell or re-lien) they are reclassified as lienied financial assets). The proceeds of the sale are recorded under loans and borrowings. The difference between the sale and the repurchase price is recognized as an interest expense over the agreement term using the effective interest rate method.

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

#### **Mortgaged Financial Assets**

These financial assets are mortgaged to third parties with the right to sell or re-mortgage. These financial assets are revalued according to the accounting policies at the date of initial classification.

#### **Assets Seized by the Bank**

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



## **Intangible Assets**

### **a) Goodwill**

- Goodwill is initially measured at cost; being the excess of the cost of acquisition or purchase of investment in an associate or subsidiary company over the Bank's share in the net fair value of the identifiable assets at the date of acquisition. Goodwill arising from the investment in subsidiaries will be separately shown under intangible assets, while that arising from the investment in associates will be shown as part of investment in associates and subsequently adjusted for any impairment losses.
- Goodwill is allocated to each of the Bank's cash-generating units, or groups of cash-generating units for the purpose of impairment testing.
- Goodwill is reviewed for impairment, at the date of the consolidated of financial statements, if events or changes in circumstances indicate that the estimated recoverable amount of a cash-generating unit or group of cash-generating units is less than their carrying amount, impairment losses are charged to the consolidated income statement.

### **b) Other intangible assets**

- Intangible assets acquired through business combination are recorded at their fair value on that date. Other intangible assets are measured on initial recognition at cost.
- Intangible assets are classified based on the assessment of their useful life to definite and indefinite. Intangible assets with definite lives are amortized over the useful economic life, while intangible assets with indefinite useful lives are assessed for impairment at each reporting date and impairment loss is charged to the consolidated income statement.
- Internally generated intangible assets are not capitalized and are expensed in the consolidated income statement.
- Indications of impairment of intangible assets are reviewed and their useful economic lives are reassessed at each reporting date. Adjustments are reflected in the current and subsequent periods.
- Other intangible assets consist of computer software that are amortized using the straight -line method over 3 years.

## **Foreign currencies**

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

Financial assets and financial liabilities denominated in foreign currencies are translated at the average rates prevailing on the date of the consolidated statement of financial position 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 or losses resulting from foreign currency translation are charged to the consolidated income statement.

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

When consolidating the financial statements, the assets and liabilities of foreign branches and subsidiaries are translated into the functional currency of each entity at the average exchange rates of the Central Bank of Jordan prevailing at the date of the consolidated statement of financial position. Income and expense items are translated at the average exchange rates for the year. Any exchange differences are taken directly to a foreign currency translation reserve within comprehensive income statement and shareholders' equity. Exchange differences arising from the sale of foreign branches or subsidiaries are recorded as part of the revenues or expenses within the income statement.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash balances with central banks and balances with banks and financial institutions that mature within three months, less banks and financial institutions deposits that mature within three months and restricted balances.

### **3- USE OF ESTIMATES**

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

The Bank's management believe that the consolidated financial statements estimates are reasonable. The details of these estimates are as follows:

- Provision for impairment in direct credit facilities: The Bank reviews its credit facilities according to the regulations of the Central Bank of Jordan as a minimum reference and according to International Financial Reporting Standards as well.
- Impairment losses on repossessed assets are determined based on the appraisal reports prepared by certified appraisers and are reviewed periodically.
- Management periodically re-evaluates the useful lives of the tangible and intangible assets in order to assess the depreciation and amortization for the year based on the useful life and the general status of these assets. Any related impairment is charged to the consolidated income statement.
- The income tax provision is calculated based on the prevailing laws and regulations and International Financial Reporting Standards. Moreover, deferred tax assets and liabilities and the related provisions are recorded.
- Legal provisions are taken for lawsuits raised against the Bank based on the Bank legal advisor's opinion.
- End of service indemnity provision for the employees is calculated based on the labor law, and bank regulations.



#### **4- CASH AND BALANCES WITH CENTRAL BANKS**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Cash in treasury	161,142,524	140,110,223
<b>Balances at central banks:</b>		
Current accounts and demand deposits	643,733,787	270,739,706
Term and notice deposits	36,124,920	22,477,707
Statutory cash reserve	325,145,537	310,974,330
Certificates of deposit *	83,000,000	308,200,000
<b>Total</b>	<b>1,249,146,768</b>	<b>1,052,501,966</b>

- Except for the statutory cash reserve at Central Banks and regulatory authorities, there are no restricted balances.

\* There are no certificate of deposits purchased from the Central Bank of Jordan maturing within a period of three months as of 31 December 2017 & 31 December 2016

#### **5- BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	18,209,125	27,151,923	124,511,381	147,169,208	142,720,506	174,321,131
Deposits maturing within or less than 3 months	69,583,626	65,012,349	282,243,107	310,500,080	351,826,733	375,512,429
<b>Total</b>	<b>87,792,751</b>	<b>92,164,272</b>	<b>406,754,488</b>	<b>457,669,288</b>	<b>494,547,239</b>	<b>549,833,560</b>

- Non-interest bearing balances at banks and financial institutions amounted to JD 29,313,836 as of 31 December 2017 (JD 53,374,553 as of 31 December 2016).
- No restricted balances as of 31 December 2017 and 2016.

## **6- DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS**

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	December 31,		December 31,		December 31,	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
<b>Deposits Maturing</b>						
3 to 6 months	5,000,000	5,000,000	2,059,246	5,401,679	7,059,246	10,401,679
6 to 9 months	15,000,000	10,000,000	7,128,087	-	22,128,087	10,000,000
9 to 12 months	-	-	8,935,443	1,898,106	8,935,443	1,898,106
More than 1 year	-	-	-	496,109	-	496,109
<b>Total</b>	<b>20,000,000</b>	<b>15,000,000</b>	<b>18,122,776</b>	<b>7,795,894</b>	<b>38,122,776</b>	<b>22,795,894</b>

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

## **7- FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This item consists of the following:

	31 December 2017 JD	31 December 2016 JD
<b>Quoted Financial Assets:</b>		
Listed corporate shares	5,393,714	4,527,926
<b>Total Quoted Financial Assets</b>	<b>5,393,714</b>	<b>4,527,926</b>
<b>Unquoted Financial Assets :</b>		
Government gurentee bonds	240,688	503,384
Non – listed corporate shares	15,765,476	16,926,409
<b>Total Unquoted Financial Assets</b>	<b>16,006,164</b>	<b>17,429,793</b>
<b>Total</b>	<b>21,399,878</b>	<b>21,957,719</b>
<b>Analysis of debt instruments :</b>		
Fixed rate return	240,688	503,384
<b>Total</b>	<b>240,688</b>	<b>503,384</b>

## 8- DIRECT CREDIT FACILITIES – NET

This item consists of the following:

	31 December 2017 JD	31 December 2016 JD
<b>Retail Customers :</b>		
Overdrafts	11,758,289	8,527,129
Loans and discounted bills *	730,149,153	669,602,931
Credit cards	13,503,865	11,687,075
<b>Real Estate Mortgages</b>	<b>1,205,968,385</b>	<b>1,135,348,105</b>
Includes:		
Housing loans	801,919,874	758,115,858
<b>Corporate entities:</b>		
<b>Corporate Customers</b>		
Overdrafts	346,372,366	224,457,298
Loans and discounted bills *	979,023,122	1,009,572,377
<b>SMEs</b>		
Overdraft	64,278,611	123,598,130
Loans and discounted bills *	294,662,054	224,597,326
<b>Governmental and public sector</b>	<b>843,684,942</b>	<b>905,544,852</b>
<b>Total</b>	<b>4,489,400,787</b>	<b>4,312,935,223</b>
<b>Less:</b> Allowance for impairment in direct credit facilities	(188,508,307)	(187,398,643)
Suspended interest	(92,509,058)	(83,470,111)
<b>Net Direct Credit Facilities</b>	<b>4,208,383,422</b>	<b>4,042,066,469</b>

\* Net of interest and commission received in advance amounting to JD 32,255,014 as of 31 December 2017 (JD 20,481,628 as of 31 December 2016).

- Non-performing credit facilities amounted to JD 268,232,853 representing (5.97%) of total direct credit facilities as of 31 December 2017 (JD 238,448,286 representing (5.53%) as of 31 December 2016).
- Non-performing credit facilities net of interest in suspense amounted to JD 177,000,360 representing (4.02%) of total direct credit facilities net of interest in suspense as of 31 December 2017 (JD 156,165,690 representing (3.69%) as of 31 December 2016).
- Credit facilities granted to and guaranteed by the Jordanian Government amounted to JD 665,694,006 representing (14.83%) of total direct credit facilities as of 31 December 2017 (JD 730,764,700 representing (16.94%) as of 31 December 2016).



### Allowance for impairment in direct credit facilities

The movement on the allowance for impairment in direct credit facilities is as follows:

	Corporate entities				
	Real Estate				
	Retail	Mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
2017 -					
Balance – beginning of the year	17,878,402	12,847,334	130,725,526	25,947,381	187,398,643
Allowance for the year	2,773,927	2,686,415	(7,845,862)	2,693,776	308,256
(Amounts written off)	(222,763)	(18,081)	(50,668)	(541,857)	(833,369)
Currency translation	41,680	12,565	1,310,956	269,576	1,634,777
Balance – End of the Year	20,471,246	15,528,233	124,139,952	28,368,876	188,508,307
Allowance for impairment	19,167,239	14,582,348	121,457,036	28,206,866	183,413,489
Watch list allowance	1,304,007	945,885	2,682,916	162,010	5,094,818
	20,471,246	15,528,233	124,139,952	28,368,876	188,508,307
2016 -					
Balance – beginning of the year	16,689,360	12,467,972	144,279,565	23,626,467	197,063,364
Allowance for the year	1,429,010	441,936	7,360,992	3,643,334	12,875,272
(Amounts written off)	(84,912)	(10,994)	(14,281,070)	(108,520)	(14,485,496)
Currency translation	(155,056)	(51,580)	(6,633,961)	(1,213,900)	(8,054,497)
Balance – End of the Year	17,878,402	12,847,334	130,725,526	25,947,381	187,398,643
Allowance for impairment	16,711,115	12,213,185	124,056,010	25,670,256	178,650,566
Watch list allowance	1,167,287	634,149	6,669,516	277,125	8,748,077
	17,878,402	12,847,334	130,725,526	25,947,381	187,398,643

- The surplus in allowance which was due to settlements or debt repayments and was transferred against other debts, amounted to JD 16,179,771 as of 31 December 2017 (JD 16,847,912 as of 31 December 2016).

### Interest in suspense

The movement on the interest in suspense is as follows:

	CORPORATE ENTITIES				
	Retail	Real Estate Mortgages	Corporate	SMEs	Total
	JD	JD	JD	JD	JD
2017 -					
Balance – beginning of the year	12,827,327	12,250,070	43,611,087	14,781,627	83,470,111
Add: Suspended interest during the year	2,830,141	4,123,218	4,679,709	9,478,279	21,111,347
Less: Interest transferred to income	(1,659,420)	(2,294,415)	(2,848,452)	(3,434,214)	(10,236,501)
Interest in suspense written off	(329,830)	(68,627)	(2,120,792)	(822,561)	(3,341,810)
Currency translation	(342)	11,537	1,416,230	78,486	1,505,911
Balance – End of the Year	13,667,876	14,021,783	44,737,782	20,081,617	92,509,058
2016 -					
Balance – beginning of the year	11,503,121	11,256,585	49,250,880	13,421,639	85,432,225
Add: Suspended interest during the year	2,811,781	3,367,371	12,512,738	4,724,572	23,416,462
Less: Interest transferred to income	(1,075,701)	(1,706,065)	(6,480,964)	(2,671,222)	(11,933,952)
Interest in suspense written off	(398,171)	(657,584)	(9,345,215)	(209,878)	(10,610,848)
Currency translation	(13,703)	(10,237)	(2,326,352)	(483,484)	(2,833,776)
Balance – End of the Year	12,827,327	12,250,070	43,611,087	14,781,627	83,470,111

## **9- FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Unquoted shares	1,983,995	580,524
<b>Total</b>	<b>1,983,995</b>	<b>580,524</b>

## **10- FINANCIAL ASSETS AT AMORTIZED COST**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
<b>Quoted Financial Assets:</b>		
Treasury bonds	1,106,490,756	1,231,180,272
Governmental guaranteed bonds and bills	457,785,391	420,814,332
Corporate bonds and debentures	216,450,477	137,156,097
Allowance for impairment loss	(1,957,132)	-
<b>Total Quoted Financial Assets</b>	<b>1,778,769,492</b>	<b>1,789,150,701</b>
<b>Unquoted Financial Assets :</b>		
Corporate bonds and debentures	6,650,001	8,422,500
Allowance for impairment loss	(4,277,500)	(5,672,500)
<b>Total Unquoted Financial Assets</b>	<b>2,372,501</b>	<b>2,750,000</b>
<b>Total</b>	<b>1,781,141,993</b>	<b>1,791,900,701</b>
<b>Analysis of debt instruments :</b>		
Fixed rate return	1,741,961,867	1,749,096,217
Variable rate return	39,180,126	42,804,484
<b>Total</b>	<b>1,781,141,993</b>	<b>1,791,900,701</b>

- The bonds mature on several batches in which the last mature in 2050.
- The bonds average annual interest rate range between 1% to 8.15% per year.

Following is a summary on the movement of the allowance for impairment loss of financial assets at amortized cost:

	31 December 2017	31 December 2016
	JD	JD
<b>Balance – beginning of the year</b>	<b>5,672,500</b>	<b>4,772,500</b>
Additions	2,334,632	900,000
Disposals	(1,772,500)	-
<b>Balance – end of the year</b>	<b>6,234,632</b>	<b>5,672,500</b>

## 11- PROPERTY AND EQUIPMENT - NET

This item consists of the following:

	Lands	Buildings	Equipment, Furniture and Fixtures	Vehicles	Computers Hardware	Total
	JD	JD	JD	JD	JD	JD
<b>2017 -</b>						
<b>Cost:</b>						
<b>Balance – beginning of the year</b>	27,492,183	26,411,384	88,502,678	2,799,592	38,066,091	183,271,928
Additions	-	3,432,875	5,516,730	312,486	2,724,282	11,986,373
Disposals	(846,191)	(56,486)	(1,894,701)	(281,128)	(481,640)	(3,560,146)
Foreign currency exchange differences	28,041	412,898	67,762	2,690	58,612	570,003
<b>Balance – end of the year</b>	<b>26,674,033</b>	<b>30,200,671</b>	<b>92,192,469</b>	<b>2,833,640</b>	<b>40,367,345</b>	<b>192,268,158</b>
<b>Accumulated Depreciation :</b>						
<b>Balance- beginning of the year</b>	-	7,374,306	67,933,534	1,738,886	30,912,519	107,959,245
Annual depreciation	-	656,328	6,579,477	350,222	3,080,394	10,666,421
Disposals	-	(56,486)	(1,766,284)	(281,125)	(451,257)	(2,555,152)
Foreign currency exchange differences	-	39,361	52,813	2,714	41,102	135,990
<b>Balance – end of the year</b>	<b>-</b>	<b>8,013,509</b>	<b>72,799,540</b>	<b>1,810,697</b>	<b>33,582,758</b>	<b>116,206,504</b>
<b>Net book value of property and equipment</b>	<b>26,674,033</b>	<b>22,187,162</b>	<b>19,392,929</b>	<b>1,022,943</b>	<b>6,784,587</b>	<b>76,061,654</b>
Payments on purchased property and equipment	-	-	7,297,811	-	-	7,297,811
Projects under construction	-	96,113,941	85,945	-	-	96,199,886
<b>Net Book Value – end of the year</b>	<b>26,674,033</b>	<b>118,301,103</b>	<b>26,776,685</b>	<b>1,022,943</b>	<b>6,784,587</b>	<b>179,559,351</b>
<b>2016 -</b>						
<b>Cost:</b>						
<b>Balance – beginning of the year</b>	27,306,116	25,408,831	84,850,322	2,089,955	37,437,837	177,093,061
Additions	331,000	2,479,256	8,779,028	895,429	3,332,931	15,817,644
Disposals	-	(105,812)	(4,505,917)	(163,134)	(2,491,542)	(7,266,405)
Foreign currency exchange differences	(144,933)	(1,370,891)	(620,755)	(22,658)	(213,135)	(2,372,372)
<b>Balance – end of the year</b>	<b>27,492,183</b>	<b>26,411,384</b>	<b>88,502,678</b>	<b>2,799,592</b>	<b>38,066,091</b>	<b>183,271,928</b>
<b>Accumulated Depreciation :</b>						
<b>Balance- beginning of the year</b>	-	7,112,595	63,406,351	1,529,580	28,968,908	101,017,434
Annual depreciation	-	556,053	6,846,696	321,406	3,717,887	11,442,042
Disposals	-	(33,618)	(2,034,175)	(91,115)	(1,623,084)	(3,781,992)
Foreign currency exchange differences	-	(260,724)	(285,338)	(20,985)	(151,192)	(718,239)
<b>Balance – end of the year</b>	<b>-</b>	<b>7,374,306</b>	<b>67,933,534</b>	<b>1,738,886</b>	<b>30,912,519</b>	<b>107,959,245</b>
<b>Net book value of property and equipment</b>	<b>27,492,183</b>	<b>19,037,078</b>	<b>20,569,144</b>	<b>1,060,706</b>	<b>7,153,572</b>	<b>75,312,683</b>
Payments on purchased property and equipment	-	-	2,026,365	-	73,989	2,100,354
Projects under construction	-	91,064,784	46,806	-	-	91,111,590
<b>Net Book Value – end of the year</b>	<b>27,492,183</b>	<b>110,101,862</b>	<b>22,642,315</b>	<b>1,060,706</b>	<b>7,227,561</b>	<b>168,524,627</b>

- Property and equipment include fully depreciated assets amounted to JD 59,913,549 as of 31 December 2017 (JD 49,789,780 as of 31 December 2016).
- Contractual commitments related to payments on purchases of property and equipment and projects under construction are included in Note (46) including the remaining estimated cost for projects under construction.



## 12- INTANGIBLE ASSETS

This item consists of the following:

	31 December 2017				31 December 2016			
	Goodwill	Computer Software	Other *	Total	Goodwill	Computer Software	Other *	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>Beginning Balance</b>	358,397	18,788,436	5,205,161	24,351,994	358,397	19,240,191	5,205,161	24,803,749
Additions **	-	5,504,092	-	5,504,092	-	3,734,647	-	3,734,647
Amortization for the year	-	(4,773,064)	-	(4,773,064)	-	(4,186,402)	-	(4,186,402)
<b>Ending Balance</b>	<b>358,397</b>	<b>19,519,464</b>	<b>5,205,161</b>	<b>25,083,022</b>	<b>358,397</b>	<b>18,788,436</b>	<b>5,205,161</b>	<b>24,351,994</b>

\* This item represents the license for conducting banking activities from the acquisition of 75% of Jordan International Bank. The licence for conducting business was identified as having an indefinite life and its impairment was tested and no impairment was identified as of 31 December 2017.

\*\* The additions on computer software amounts to JD 5,504,092 as of 31 December 2017 (JD 3,734,647 as of 31 December 2016), representing payments on account for purchase of computer software.

## 13- OTHER ASSETS

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Accrued revenues and interest	20,265,648	21,556,380
Prepaid expenses	5,248,986	5,071,901
Assets seized by the Bank *	43,310,629	31,755,660
Assets seized by the Bank with customer right to recover **	1,316,893	6,950,568
Cheques under collection	19,217,404	30,219,583
Other	13,827,325	9,418,942
<b>Total</b>	<b>103,186,885</b>	<b>104,973,034</b>

\* The regulations of Central Bank of Jordan require the disposal of the seized assets by the bank during a maximum period of two years from the date of the acquisition.

\*\* Includes real estate and shares with customer right to repurchase within a period of three years at cost plus agreed interest.

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

	2017	2016
	JD	JD
<b>Beginning Balance</b>	<b>38,706,228</b>	<b>35,091,870</b>
Additions	19,510,852	12,198,317
Disposals	(12,596,814)	(7,576,891)
Impairment	(992,744)	(1,007,068)
<b>Ending Balance</b>	<b>44,627,522</b>	<b>38,706,228</b>

#### 14- BANKS AND FINANCIAL INSTITUTIONS DEPOSITS

This item consists of the following:

	31 December 2017			31 December 2016		
	Inside	Outside	Total	Inside	Outside	Total
	Jordan	Jordan		Jordan	Jordan	
	JD	JD	JD	JD	JD	JD
Current accounts and demand deposits	12,667,299	58,114,965	<b>70,782,264</b>	11,368,592	94,068,442	<b>105,437,034</b>
Deposits due within 3 months	73,174,217	328,532,103	<b>401,706,320</b>	85,035,205	238,906,174	<b>323,941,379</b>
Deposits due within 3- 6months	26,713,847	3,900,000	<b>30,613,847</b>	31,330,468	-	<b>31,330,468</b>
Deposits due within 6 - 9 months	33,099,414	-	<b>33,099,414</b>	15,000,000	-	<b>15,000,000</b>
Deposits due within 9 - 12 months	5,520,087	-	<b>5,520,087</b>	-	-	<b>-</b>
More than one year	-	-	<b>-</b>	8,772,561	8,681,700	<b>17,454,261</b>
<b>Total</b>	<b>151,174,864</b>	<b>390,547,068</b>	<b>541,721,932</b>	<b>151,506,826</b>	<b>341,656,316</b>	<b>493,163,142</b>

#### 15- CUSTOMERS' DEPOSITS

This item consists of the following:

	Retail	Corporate	SMEs	Government and Public Sector	Total
	JD	JD	JD	JD	JD
<b>31 December 2017</b>					
Current accounts and demand deposits	709,275,428	153,966,986	316,924,242	58,114,838	1,238,281,494
Saving deposits	2,129,974,849	487,888	11,122,794	638,333	2,142,223,864
Time and notice deposits	1,346,997,504	380,732,674	73,987,939	432,801,907	2,234,520,024
Certificates of deposit	211,845,295	-	830,925	-	212,676,220
Others	430,969	-	-	-	430,969
<b>Total</b>	<b>4,398,524,045</b>	<b>535,187,548</b>	<b>402,865,900</b>	<b>491,555,078</b>	<b>5,828,132,571</b>
<b>31 December 2016</b>					
Current accounts and demand deposits	766,725,957	141,544,329	368,067,193	170,738,799	1,447,076,278
Saving deposits	1,956,705,148	1,106,415	13,850,420	974,644	1,972,636,627
Time and notice deposits	1,401,268,206	361,580,765	90,271,532	232,060,347	2,085,180,850
Certificates of deposit	142,097,664	-	95,940	-	142,193,604
Others	439,734	-	-	-	439,734
<b>Total</b>	<b>4,267,236,709</b>	<b>504,231,509</b>	<b>472,285,085</b>	<b>403,773,790</b>	<b>5,647,527,093</b>

- The deposits of the public sector and the government of Jordan inside Jordan amounted to JD 486 million, representing (8.3%) of total deposits as of 31 December 2017 (JD 389 million, representing (6.9%) of total deposits as of 31 December 2016).
- Non-interest bearing deposits amounted to JD 1,69 billion, representing (29%) of total deposits as of 31 December 2017 (JD 1.75 billion, representing (31%) of total deposits as of 31 December 2016).
- Restricted deposits amounted to JD102 million, representing (1.75%) of total deposits as of 31 December 2017 (JD 104.2 million, representing (1.85%) of total deposits as of 31 December 2016).
- Dormant accounts amounted to JD 265.7 million, representing (4.6%) of total deposits as of 31 December 2017 (JD 246.2 million, representing (4.4%) of total deposits as of 31 December 2016).

## 16- MARGIN ACCOUNTS

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Margins against direct credit facilities	109,839,072	231,783,642
Margins against indirect credit facilities	153,366,169	93,663,442
Margin dealings	1,559,643	2,300,584
Other margins	1,841,905	1,153,615
<b>Total</b>	<b>266,606,789</b>	<b>328,901,283</b>

## 17- LOANS AND BORROWING

This item consists of the following:

	Amount	Periodic Repayment	Repayment date	Guarantee	Borrowing interest rate	Re- lending interest rate
31 December 2017	JD					
Audi Bank loan	4,908,976	Monthly	31/05/2018	Financial solvency	4.50%	% 10.30
Audi Bank loan	4,000,000	Monthly	31/05/2018	Financial solvency	6.24%	% 10.30
Society General Bank loan	4,994,838	Monthly	31/05/2018	Financial solvency	4.48%	% 10.30
Amman Cairo Bank	14,992,112	monthly	31/05/2018	Financial solvency	4.25%	% 10.30
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	05/05/2018	Financial solvency	4.75%	% 10.30
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	09/08/2018	Financial solvency	5.00%	% 10.30
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	24/09/2019	Financial solvency	5.50%	% 10.30
Central Bank of Jordan	7,000,000	Semi annual	14/07/2028	Financial solvency	3.26%	Guaranteed %6.76 without gurantee
Central Bank of Jordan	3,974,875	Semi annual	07/02/2031	Financial solvency	3.31%	%7.26 Guaranteed %6.31 without gurantee
Central Bank of Jordan	3,255,000	Semi annual	29/11/2024	Financial solvency	2.50%	%7.31 Guaranteed %6 without gurantee
Central Bank of Jordan			5 years with the exception of renewable energy projects 10 years	Promissory note on demand	Inside the capital 1.75% outside the capital 1%	Inside the capital 4.5% outside the capital 3.75%
Real Estate Mortgage Re-fund Co.*	50,000,000	Semi annual	29/05/2019	Mortgage	5.05%	7%-9.5% Guaranteed %6.50 without gurantee
Central Bank of Jordan	1,412,458	Semi annual	21/12/2039	Financial solvency	3.00%	%7.50



	<u>114,136,785</u>					
	Amount	Periodic Repayment	Repayment date	Guarantee	Borrowing interest rate	Re- lending interest rate
31 December 2016	JD					
				Financial		
Audi Bank loan	4,645,268	Monthly	31/05/2017	solvency	%4.5	%10.3
				Financial		
Society General Bank loan	2,988,594	Monthly	30/04/2017	solvency	%3.85	%10.3
				Financial		
Amman Cairo Bank	8,471,939	Monthly	30/07/2017	solvency	%3.75	%10.3
				Financial		
Real Estate Mortgage Re-fund Co.	5,000,000	Semi annual	05/05/2028	solvency	%4.75	%10.3
				Financial		
Arab Investment Bank	108,090	Annual	30/05/2017	solvency	%7.25	-
				Financial		
Jordan Commercial Bank	62,402	Annual	30/04/2017	solvency	%7.0	-
						Guaranteed %6.55
				Financial		without guarantee
Central Bank of Jordan	7,000,000	Semi annual	14/07/2028	solvency	%3.03	%7.05
						Guaranteed %6.10
				Financial		without guarantee
Central Bank of Jordan	3,000,000	Semi annual	07/02/2031	solvency	%3.08	%7.05
						Guaranteed %6
				Financial		without guarantee
Central Bank of Jordan	3,500,000	Semi annual	29/02/2024	solvency	%2.5	%6.5
			5 years with the			
			exception of		Inside the capital	Inside the capital
			renewable energy	Promissory note	1.75% outside the	4.5% outside the
Central Bank of Jordan	3,562,209	Instalment due	projects 10 years	on demand	capital 1%	capital 3.75%
	<u>38,338,502</u>					

\* Funds have been reborrowed for the purposes of housing loans at an interest rate of 7%-9.5% reborrowed fund amounted to JD 50,000,000.

- Re-borrowed funds from Central Bank of Jordan maturity date is ranging from 1 May 2014 to 1 September 2028.
- Borrowed funds with a fixed interest rate amounted to JD 98,563,384. And borrowed funds with variable interest rate amounted to JD 15,573,401 as 31 December 2017.
- Borrowed funds during 2017 amounted JD 94,706,389. And settled borrowed funds amounted JD 18,908,106.



## 18- SUNDRY PROVISIONS

This item consists of the following:

	Beginning Balance	Net Provision for the year	Provision used during the year	Reverse to Revenue	Currency translation	Ending Balance
	JD	JD	JD	JD	JD	JD
<b>2017</b>						
Provision for end-of-service indemnity	26,182,581	3,542,869	(3,263,804)	-	-	26,461,646
Provision for outstanding lawsuits against the Bank	520,677	791,393	(36,441)	-	2,653	1,278,282
Other provisions	29,321,111	383,380	(3,680,822)	-	1,521,093	27,544,762
<b>Total</b>	<b>56,024,369</b>	<b>4,717,642</b>	<b>(6,981,067)</b>	<b>-</b>	<b>1,253,746</b>	<b>55,284,690</b>
<b>2016</b>						
Provision for end-of-service indemnity	24,791,314	3,821,582	(2,430,315)	-	-	26,182,581
Provision for outstanding lawsuits against the Bank	346,762	180,882	(4,442)	-	(2,525)	520,677
Other provisions	19,110,347	17,595,211	(3,198,168)	-	(4,186,279)	29,321,111
<b>Total</b>	<b>44,248,423</b>	<b>21,597,675</b>	<b>(5,632,925)</b>	<b>-</b>	<b>(4,188,804)</b>	<b>56,024,369</b>

## 19- INCOME TAX

### A- Current Tax Liability

The movement on the Current tax liability is as follows:

	31 December 2017 JD	31 December 2016 JD
<b>Beginning balance</b>	<b>57,000,430</b>	<b>45,101,562</b>
Income tax paid	(58,901,137)	(51,345,650)
Income tax for the year	52,370,207	63,650,343
Currency translation	39,819	(405,825)
<b>Ending Balance</b>	<b>50,509,319</b>	<b>57,000,430</b>

- Income tax for Jordan branches of the Bank was paid up to the year 2014 and the Bank has paid advance payments on the income tax for the year 2015, 2016 and 2017.
- Income tax for Palestine branches was paid up to the year 2017. The Bank reach a final settlement with the Income Tax Department for the years except for the year 2017.
- Income tax for International Bank for Trade and Finance /Syria was paid up to the year 2016.
- Income tax for the Housing Bank for Trade & Finance /Algeria was paid up to the year 2016.
- Income tax for Jordan International Bank/ London was paid up to the year 2016.
- Income tax for local International Financial Center was paid up to the year 2016. and a final settlement was reached up to the year 2016.
- Income tax for the Specialized Financial Leasing Company was paid until the year 2016, and a final settlement was reached up to the year 2016.

Income tax in the consolidated income statement represents the following:

	2017 JD	2016 JD
Current year income tax	52,370,207	63,650,343
Deferred tax assets for the year	(2,946,725)	(5,779,117)
Amortization of deferred tax assets	5,255,801	1,452,292
Deferred tax liabilities for the year	129,146	-
	<b>54,808,429</b>	<b>59,323,518</b>

## B- Deferred Income Tax Assets / Liabilities:

This item consists of the following:

	2017				2016	
	Beginning balance	Amounts released	Amounts added	Ending balance	Deferred tax	Deferred tax
	JD	JD	JD	JD	JD	JD
<b>Assets</b>						
Suspended interest	886,085	309,399	-	576,686	191,028	293,516
Allowance for loans	69,259,309	8,983,337	-	60,275,972	19,966,446	22,942,180
Provision for indemnities	22,723,352	2,782,733	2,891,753	22,832,372	7,563,235	7,527,122
Impairment of real estate	2,063,099	-	992,744	3,055,843	1,012,250	683,403
Other provisions	8,693,332	-	2,226,483	10,919,815	3,617,194	2,879,671
Other assets	12,815,387	3,791,613	3,604,560	12,628,334	3,908,491	4,241,619
Recurring losses from						
International Bank/London	10,855,982	-	189,180	11,045,162	2,126,194	2,171,196
<b>TOTAL</b>	<b>127,296,546</b>	<b>15,867,082</b>	<b>9,904,720</b>	<b>121,334,184</b>	<b>38,384,838</b>	<b>40,738,707</b>
<b>Liabilities</b>						
Revaluation of financial assets	6,208,932	-	389,871	6,598,803	2,185,858	2,056,712
<b>TOTAL</b>	<b>6,208,932</b>	<b>-</b>	<b>389,871</b>	<b>6,598,803</b>	<b>2,185,858</b>	<b>2,056,712</b>

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

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
	JD	JD	JD	JD
<b>Beginning balance</b>	<b>40,738,707</b>	<b>2,056,712</b>	<b>36,856,464</b>	<b>2,056,712</b>
Additions	2,946,725	129,146	5,779,117	-
Releases	(5,255,801)	-	(1,452,292)	-
Currency Translation	(44,793)	-	(444,582)	-
<b>Ending Balance</b>	<b>38,384,838</b>	<b>2,185,858</b>	<b>40,738,707</b>	<b>2,056,712</b>

## C- Reconciliation of the accounting profit with taxable profit:

	31 December 2017	31 December 2016
	JD	JD
Accounting profit for the year	<b>180,012,696</b>	<b>190,336,131</b>
Non taxable income	(43,826,957)	(36,567,485)
Non deductible expenses for tax purposes	(1,907,891)	28,658,021
<b>Taxable Profit</b>	<b>134,277,848</b>	<b>182,426,667</b>
Effective income tax rate	<b>30.45%</b>	<b>31.17%</b>

- The legal income tax rate on banks in Jordan is 35%, and the range of tax rate on local companies between 20% and 24%. The income tax rates in the countries in which the Bank operates range between 0% and 31%.
- The tax rate on deferred tax assets is between 19.25% and 35%.



## **20- OTHER LIABILITIES**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Accrued interest	17,665,502	12,199,312
Interests and commissions received in advance	560,978	589,880
Accrued expenses	18,328,048	20,302,523
Certified cheques	27,506,819	35,965,089
Transfers deposits	27,096,367	25,391,351
Payment trusts	3,151,106	3,051,823
Prizes trusts	1,544,723	1,932,457
Correspondent banks trusts	157,852	165,533
General management trusts	2,380,945	1,944,814
Dividends payable *	452,053	405,751
Accounts payable	2,167,966	2,306,159
Other deposits **	54,278,229	21,201,963
Others	10,841,274	11,706,467
<b>Total</b>	<b>166,131,862</b>	<b>137,163,122</b>

\* This item represents prior years' dividends payable to shareholders.

\*\* Customers deposits to cover the imported finished goods in accordance with the instruction of the central bank of Algeria.

## **21- PAID-IN CAPITAL AND SHARE PREMIUM**

### **Paid-in capital**

Authorized and paid in capital amounted to JD 315 million divided into 315 million shares at a par value of JD 1 per share.

The shareholders General Assembly approved in its unusual meeting held in 23 April 2017 on the Board of Directors of the Bank recommendation to increase the paid in capital by distributing 25% of the paid in capital as free shares, through capitalizing voluntary reserves which amounts of JD 33,222,068 as of 31 December 2016, and a portion of share premium amounting to JD 29,777,932. In which the paid in capital becomes 315 million share after the increase at a par value of JD 1 per share, the increase in capital procedures have been completed by the companies control department on 2 May 2017.

### **Share premium**

Share premium amounted to JD 328,147,537 as of 31 December 2017 (JD 357,925,466 as of 31 December 2016).

## **22- RESERVES**

### **Statutory Reserve**

This reserve represents amounts transferred from income before tax at a rate of 10% during previous years. The statutory reserve is not available for distribution to shareholders.

### **Voluntary Reserve**

This reserve represents amounts transferred from the pre-tax profits at a rate not exceeding 20% during previous years. The voluntary reserve shall be utilized for the purposes determined by the Board of Directors. The General Assembly shall have the right to distribute it in whole or in part as dividends to shareholders.

### General Banking Risk Reserve

This reserve represents general banking risks reserve according to the regulations of the Central Bank of Jordan.

### Special reserve

This reserve represents the cyclical fluctuation for Palestine branches based on the instructions of the Palestinian Monetary Authority and at the International Bank for Trade and Finance/ Syria.

Restricted reserves are as follows:

<u>Reserve</u>	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>Regulation</u>
	JD	JD	
General banking risk reserves	37,608,684	36,101,000	According to the regulations of the Central Bank of Jordan
Statutory reserve	206,742,971	189,054,310	According to the regulatory authorities regulations
Special reserve	8,807,007	7,752,032	According to the applicable laws and regulations
Voluntary reserve	-	33,222,068	According to the applicable laws and regulations

### 23- FOREIGN CURRENCY TRANSLATION RESERVE

This item represents the differences resulting from the translation of net investments in the foreign subsidiaries and branches upon the consolidation of the financial statements. The movement on this account is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
	JD	JD
<b>Beginning balance</b>	(110,715,554)	(89,872,167)
Net changes during the year	4,074,139	(20,843,387)
<b>Ending Balance</b>	<b>(106,641,415)</b>	<b>(110,715,554)</b>

### 24- REVALUTION RESERVE FOR FINANCIAL ASSETS

The movement on this items is as follows:

	<u>31 December 2017</u>	<u>31 December 2016</u>
	JD	JD
<b>Beginning balance</b>	(344,677)	(349,012)
Unrealized gain (losses)	235,218	4,335
<b>Ending Balance</b>	<b>(109,459)</b>	<b>(344,677)</b>

### 25- RETAINED EARNINGS AND PROPOSED DIVIDENDS

The proposed cash dividends for the current year amounted to 20% equivalent to JD 63 million of paid-in capital subject to the approval of the General Assembly of Shareholders (30% for the prior year).



### Retained earnings attributable to the Bank's shareholders:

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
<b>Beginning balance</b>	247,953,497	225,919,340
Profit for the year	121,868,089	123,787,093
Transferred to reserves	(20,251,320)	(20,955,971)
Dividends paid	(75,600,000)	(80,640,000)
Cost of increasing the paid-up capital	(365,425)	-
Others	-	(156,965)
<b>Ending Balance</b>	<b>273,604,841</b>	<b>247,953,497</b>

- The shareholders General Assembly agreed on its ordinary meeting dated on 23 April 2017 on the recommendation of distributing dividends for the year 2016 at a rate 30%, the approval of the Central Bank of Jordan was obtained on 29 March 2017.
- The Bank cannot use a restricted amount of JD 6,455,941 which represents the unrealized gains on financial assets through profit or loss according to the regulations of Jordan Securities Commission.
- The balance of retained earnings includes JD 247,353 which represents the effect of early application of International Financial Reporting Standard No. (9) and this amount is restricted from use except for the amounts that becomes realized.
- The Bank cannot use a restricted amount of JD 38,384,838 from the retained earnings, which represents deferred taxes, and amount of JD 14,275,651 which represents foreign currency revaluation gain at the International Bank for Trade and Finance in Syria (subsidiary) and the amount of JD 109,459 represents a negative change of financial assets at fair value through comprehensive income. These amounts, cannot be used for capitalization or distribution except for the amounts actually realized according to the Central Bank of Jordan Regulations.
- The distributable profit amounted JD 181,740,283 as of 31 December 2017.

### 26 – SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTEREST

#### A- percenatage owned by non-controlling intretst:

31 December 2017				
	Country	Activity Sector	Non controlling interests %	Dividends JD
International Bank for Trade and Finance /Syria	Syria	Banking	50.937%	-
The Housing Bank for Trade and Finance /Algeria	Algeria	Banking	15%	3,278,950
Jordan International Bank/London	U.K.	Banking	25%	-
31 December 2016				
	Country	Activity Sector	Non controlling interests %	Dividends JD
International Bank for Trade and Finance /Syria	Syria	Banking	50.937%	-
The Housing Bank for Trade and Finance /Algeria	Algeria	Banking	15%	3,280,910
Jordan International Bank/London	U.K.	Banking	25%	-

**B- The following are selected financial information for subsidiaries with material non-controlling interests:**

A- Condensed Statemnet of financial position before elimination of inter-Company transactions as of 31 December 2017

	31 December 2017		
	International Bank for Trade & Finance/Syria	The Housing Bank for Trade & Finance/Algeria	Jordan International Bank London/U.K.
31 December 2017	JD	JD	JD
financial assets	219,221,911	486,251,395	368,830,032
Other assets	4,120,619	16,593,542	5,354,115
<b>Total assets</b>	<b>223,342,530</b>	<b>502,844,937</b>	<b>374,184,147</b>
financial Liabilities	175,416,853	306,423,907	291,023,299
Other Liabilities	21,167,886	82,886,807	3,366,984
<b>Total Liabilities</b>	<b>196,584,739</b>	<b>389,310,714</b>	<b>294,390,283</b>
<b>Total Equitiy</b>	<b>26,757,791</b>	<b>113,534,223</b>	<b>79,793,864</b>
<b>Total Liabilities and Equity</b>	<b>223,342,530</b>	<b>502,844,937</b>	<b>374,184,147</b>
Non Controlling Interest	13,629,549	17,031,269	19,948,466

	31 December 2016		
	International Bank for Trade & Finance/Syria	The Housing Bank for Trade & Finance/Algeria	Jordan International Bank London/U.K.
31 December 2016	JD	JD	JD
financial assets	163,645,440	325,282,125	349,253,144
Other assets	3,362,943	19,228,996	5,556,341
<b>Total assets</b>	<b>167,008,383</b>	<b>344,511,121</b>	<b>354,809,485</b>
financial Liabilities	129,842,603	192,560,238	281,903,928
Other Liabilities	17,670,853	39,199,859	3,023,316
<b>Total Liabilities</b>	<b>147,513,456</b>	<b>231,760,097</b>	<b>284,927,244</b>
<b>Total Equitiy</b>	<b>19,494,927</b>	<b>112,751,024</b>	<b>69,882,241</b>
<b>Total Liabilities and Equity</b>	<b>167,008,383</b>	<b>344,511,121</b>	<b>354,809,485</b>
Non Controlling Interest	9,909,964	16,913,781	17,470,560

B – Condensed Income Statement before elimination of inter-company transactions for the year ended on 31 December 2017

	31 December 2017		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London/U.K. JD
Total revenues	927,054	23,763,404	11,744,479
Profit for the year	3,074,363	9,883,567	1,484,259
<b>Total Comprehensive Income</b>	<b>3,074,363</b>	<b>9,883,567</b>	<b>1,484,259</b>
<b>Attributable to non-Controlling Interest</b>	1,565,981	1,482,634	371,065

	31 December 2016		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London/U.K. JD
Total revenues	22,084,432	21,913,782	14,045,679
Profit for the year	8,971,365	10,277,099	4,643,453
<b>Total Comprehensive Income</b>	<b>8,971,365</b>	<b>10,277,099</b>	<b>4,643,453</b>
<b>Attributable to non-Controlling Interest</b>	4,569,722	1,541,668	1,160,863

C – Condensed cashflow statement for material subsidiaries:-

	31 December 2017		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London /U.K JD
<b>Cash Flows</b>			
Operating	36,286,023	120,426,467	30,300,980
Investing	(458,680)	(716,179)	6,742,442
Financing	82,263	(4,731,141)	1,337,829
Effect of change in exchange rates on cash and cash equivalents	(736,870)	(4,594,788)	7,569,711
<b>Net increase/Decrease</b>	<b>35,172,736</b>	<b>110,384,359</b>	<b>45,950,962</b>

	31 December 2016		
	International Bank for Trade & Finance/Syria JD	The Housing Bank for Trade & Finance/Algeria JD	Jordan International Bank London /U.K JD
<b>Cash Flows</b>			
Operating	(7,727,940)	1,331,155	3,238,698
Investing	(199,640)	(1,957,225)	(4,604,200)
Financing	2,522	(5,096,801)	882,726
Effect of change in exchange rates on cash and cash equivalents	7,124,054	(3,661,077)	(14,487,950)
<b>Net increase/Decrease</b>	<b>(801,004)</b>	<b>(9,383,948)</b>	<b>(14,970,726)</b>



## **27- INTEREST INCOME**

This item consists of the following:

	31 December 2017 JD	31 December 2016 JD
Direct Credit Facilities:		
<b>Individual retail customer:-</b>		
Overdraft	460,538	309,656
Loans and discounted bills	64,870,512	56,324,052
Credit cards	1,912,373	1,738,148
Other	194,289	227,406
<b>Real estate mortgages</b>	<b>70,346,654</b>	<b>64,098,725</b>
<b>Large corporates:</b>		
Overdraft	15,747,146	9,630,506
Loans and discounted bills	59,494,201	56,826,649
<b>SMEs</b>		
Overdraft	12,192,846	12,147,617
Loans and discounted bills	18,044,579	14,641,117
<b>Government and Public Sector</b>	<b>41,245,821</b>	<b>40,033,370</b>
Balances at central banks	10,361,199	4,675,402
Balances and deposits at banks and financial institutions	7,698,850	4,653,619
Financial assets at fair value through profit or loss	7,238	10,624
Financial assets at amortized cost	76,530,747	96,441,940
<b>Total</b>	<b>379,106,993</b>	<b>361,758,831</b>

## **28- INTEREST EXPENSE**

This item consists of the following:

	31 December 2017 JD	31 December 2016 JD
Banks and financial institutions deposits	7,794,805	5,026,664
<b>Customers deposits :</b>		
Current accounts and demand deposits	1,073,474	980,641
Saving deposits	9,245,660	12,251,708
Time and notice deposits	67,205,247	49,938,852
Certificates of deposit	6,028,212	5,616,888
Margin accounts	4,051,682	5,573,107
Subordinated loans	3,273,573	1,225,961
Deposits insurance fees	11,320,355	11,226,073
<b>Total</b>	<b>109,993,008</b>	<b>91,839,894</b>

**29- NET COMMISSION INCOME**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
<b>Commission income:</b>		
Direct credit facilities	11,231,897	12,369,672
Indirect credit facilities	11,368,986	12,832,750
Less: Commission expense	(31,344)	(41,441)
<b>Net Commission Income</b>	<b>22,569,539</b>	<b>25,160,981</b>

**30- NET GAIN FROM FOREIGN CURRENCY EXCHANGE**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
From trading	1,564,189	1,385,596
From re-valuation	(812,778)	19,334,876
<b>Total</b>	<b>751,411</b>	<b>20,720,472</b>

**31- (LOSSES) GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

This item consists of the following:

	Realized		Unrealized		Dividends	Total
	Gain	(Loss)	Gain	(Loss)	Received	
	JD	JD	JD	JD	JD	JD
<b>2017</b>						
Bonds	-	-	-	(15,511)	-	(15,511)
Coprorate shares	40,264	(3,496)	1,465,871	(2,019,160)	217,818	(298,703)
Investment funds	-	-	-	-	16,538	16,538
<b>Total</b>	<b>40,264</b>	<b>(3,496)</b>	<b>1,465,871</b>	<b>(2,034,671)</b>	<b>234,356</b>	<b>(297,676)</b>
<b>2016</b>						
Bonds	-	-	-	(31,667)	-	(31,667)
Coprorate shares	-	(126,946)	99,399	(716,379)	268,289	(475,637)
Investment funds	16,268	-	-	-	22,857	39,125
<b>Total</b>	<b>16,268</b>	<b>(126,946)</b>	<b>99,399</b>	<b>(748,046)</b>	<b>291,146</b>	<b>(468,179)</b>

### **32- OTHER INCOME**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Fees on salaries accounts	3,175,559	3,310,980
Credit cards income	6,591,607	5,905,040
Safety deposit box rental income	603,741	596,537
Commissions on returned checks	780,324	538,589
Management fees	5,003,676	4,771,994
Net income from recovered loans	2,951,844	16,205,781
Brokerage services fees	578,188	602,931
Banking services fees	1,820,088	1,540,962
Income on transfers	6,780,587	6,671,450
Miscellaneous income	5,620,593	9,159,946
<b>Total</b>	<b>33,906,207</b>	<b>49,304,210</b>

### **33- EMPLOYEES EXPENSES**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Salaries, benefits and allowances	58,458,038	58,233,143
Bank's contribution in social security	6,857,703	6,524,730
Bank's contribution in the saving fund	197,909	177,853
End-of-service indemnity	3,542,869	3,821,582
Medical expenses	3,576,847	3,070,809
Training expenses	853,286	757,913
Travel and transportation expenses	1,269,581	1,332,276
Other	1,060,186	1,036,944
<b>Total</b>	<b>75,816,419</b>	<b>74,955,250</b>

### **34- OTHER EXPENSES**

This item consists of the following:

	31 December 2017	31 December 2016
	JD	JD
Information technology	9,664,905	10,145,101
Marketing and promotion	4,104,752	3,723,812
External and professional services	1,997,385	2,274,382
Rents and workplace expenses	20,445,786	20,139,388
Financial institutions subscription fees	3,231,221	3,097,924
Stationary expenses	2,217,081	2,045,292
Fees on credit facilities processing	417,104	1,063,576
Other expenses	10,651,471	9,675,756
<b>Total</b>	<b>52,729,705</b>	<b>52,165,231</b>



### 35- EARNINGS PER SHARE

This item consists of the following:

	31 December 2017	31 December 2016
Profit for the year (JD)	121,868,089	123,787,093
Weighted average number of shares (share)	315,000,000	315,000,000
<b>Basic and diluted earnings per share attributable to the Bank's shareholders</b>	<b>JD 0.387</b>	<b>JD 0.393</b>

- \* Weighted average number of shares for the Basic and diluted earnings per share for the shareholders has been calculated based on the authorised number of shares as of 31 December 2017, knowing that the comparative figures were recalculated according to the weighted average number of shares after taking the effect of the share dividends distributed accordingly with IAS (33).

### 36- CASH AND CASH EQUIVALENTS

This item consists of the following:

	31 December 2017 JD	31 December 2016 JD
Cash and balances with central banks maturing within 3 months	1,249,146,768	1,052,501,966
<u>Add:</u> Balances with banks and financial institutions maturing within 3 months	494,547,239	549,833,560
<u>Less:</u> Banks and financial institutions deposits maturing within 3 months	(472,488,584)	(429,378,413)
	<b>1,271,205,423</b>	<b>1,172,957,113</b>

### 37- FINANCIAL DERIVATIVE INSTRUMENTS

This item consists of the following:

	Positive fair value JD	Negative fair value JD	Nominal value JD	Due in three months JD	Due in 3-12 months JD	From 1 to 3years JD
<b>2017</b>						
Traded Financial Derivative						
Forward foreign currency contracts	95,751	(57,028)	28,896,477	18,963,217	9,933,260	-
Interest rate swap contracts	-	-	-	-	-	-
	<b>95,751</b>	<b>(57,028)</b>	<b>28,896,477</b>	<b>18,963,217</b>	<b>9,933,260</b>	<b>-</b>
<b>2016</b>						
Traded Financial Derivative						
Forward foreign currency contracts	295,177	(231,559)	36,893,573	19,113,230	17,780,343	-
Interest rate swap contracts	-	-	-	-	-	-
	<b>295,177</b>	<b>(231,559)</b>	<b>36,893,573</b>	<b>19,113,230</b>	<b>17,780,343</b>	<b>-</b>

Nominal value represents the value of transactions outstanding at year-end and does not refer to market risks or credit risks.

### 38- RELATED PARTY TRANSACTIONS

These consolidated financial statements include the financial statements of the Bank and the following subsidiaries:

<u>Company Name</u>	Ownership 2017 %	Company's capital	
		31 December 2017	31 December 2016
		JD	JD
The Housing Bank for Trade and Finance / Algeria	85%	98,134,068	98,134,068
International Bank for Trade and Finance / Syria	49.063%	76,684,321	76,684,321
International Financial Center	77.5%	5,000,000	5,000,000
Specialized Lease Finance Co.	100%	30,000,000	30,000,000
Jordan Real Estate Investment Co.	100%	40,000	40,000
Jordan International Bank / London	75%	72,403,280	72,403,280
International Financial Center / Syria	46.704%	1,495,780	1,495,780

- The International Bank for Trade and Finance – Syria own's 85% of the International Financial Centre Company – Syria and the Bank's ownership is 5% of the company.
- The Bank entered into transactions with major shareholders, Board of Directors, and executive management in the course of its ordinary activities at commercial rates of interest and commissions. All facilities granted to related parties are performing and no provisions have been taken.

Summary of related party transactions during the year:

				Total	
	Major Shareholders	Board of directors	Executive Management	31 December 2017	31 December 2016
	JD	JD	JD	JD	JD
<b><u>Financial position items</u></b>					
Total deposits with related parties	68,484,539	-	-	68,484,539	92,976,283
Total deposits from related parties	429,375,047	1,999,454	1,845,528	433,220,029	295,962,346
Loans and advances granted to related parties	-	400	1,070,693	1,071,093	1,594,271
<b><u>Income statement items</u></b>					
Interest and commissions income	1,022,360	6,903	40,426	1,069,689	747,428
Interest and commissions expense	14,269,746	25,892	38,748	14,334,386	9,543,764

\* Interest expense rates range from 0% to 4.5%.

\*\* interest income rates range from 2.75% to 6.55%.

The Bank's executive management remuneration (salaries, bonuses, and other benefits) were as follows:

	2017	2016
	JD	JD
Salaries, bonuses, and other benefits	3,080,096	2,545,929
Salaries, bonuses, and other benefits/ Subsidiaries	2,322,260	1,794,454

### **39- FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT PRESENTED AT FAIR VALUE IN THE FINANCIAL STATEMENTS**

This item consists of the following:

	31 December 2017		31 December 2017	
	Book value	Fair Value	Book value	Fair value
	JD	JD	JD	JD
Other financial assets at amortized cost	1,781,141,993	1,783,027,724	1,791,900,701	1,795,093,500
Direct credit facilities – net	4,208,383,422	4,208,383,422	4,042,066,469	4,042,066,469

### **40- RISK MANAGEMENT**

The Bank manages the various banking risks based on several methods by means of a comprehensive strategy to limit risks and ways of combatting and mitigating them through managing risks, after determining the acceptable risks by the bank to manage its operations ensuring to preserve the level and the quality of the various risks that the bank is able to face without affecting the strategic goals, in addition, to mitigate the negative effect of the external and the internal encounters on the profitability, capital, market share, and any other intangible factors like reputation and goodwill of the bank.

Agreeing on the levels of the acceptable risk by the banks is based on quantitative and qualitative methods of measurement, based on the nature of the various risks within the risk limit preapproved by the internal policies and procedures manual.

The Acceptable risk levels fits with the Bank's strategy and restricts the framework and guidelines that the bank should follow to manage its operation, it also clears the nature of the risks that the Bank accept to fulfill its strategic goals and sets the procedures through which the acceptable levels of risk is monitored.

#### **Strategic objectives for risk management:**

- Build effective risk managements which supports the institutional governance through the application of advanced methods of measuring various risks.
- Mitigate any possible losses which leads to maximize the profitability and boosting the efficiency and the effectiveness of the banking operation.
- Spreading the awareness of the surrounding risks that the bank may face for all of the hierarchy levels.
- Assisting to achieve the strategic goals set by the bank.

#### **The Bank is exposed to the following risks:**

- Credit risk
- Market risk, Liquidity risk, foreign currency and interest risk
- Operations risk, information security risk, business continuity risk



**Acceptable Risk Levels:**

The effective risk management includes an understanding of the risks facing the bank, in addition to provide an appropriate monitoring environment compatible with the best standards, and the instructions of the regulatory authorities. The most important principles of effective risk management are based on identifying, measuring and, analyzing the acceptable levels of risks due to banking operations faced by the bank.

These principles and procedures are as follows:

- Business strategy identification: Identification of acceptable risks levels which fits with the Bank's strategic objectives, legal authorities' instructions, the Bank's capital adequacy, liquidity related risks, funding sources, and finally, preserving the profitability ratios.
- Evaluate significant risks that the banks face, and identify methods of measurement, and identify the risk exposure that the bank can face and accept, and provide the board with complete risk assessment and exposure levels reports, and their control framework.
- Determine the acceptable levels for the risks facing all business units and products:
  - Limits: The level of risk that the bank can accept depending on the volume of exposure to the bank's operations, and based on the objectives set for the bank and its business units.
- In addition, the acceptable risk levels are monitored and any irregularities from the prescribed limits, are addressed and reported to the board through the risk management committee.

**Risk Management framework**

- An independent risk management structure that includes oversight, supervision, reporting and perform risk related functions.
- The existence of a strategy, policies and work procedures aimed to manage risks in an effective manner, moreover, to control and minimize the adverse effects of such risks.
- Control, supervision and measurement of risks within the risk acceptance prescribed.
- Daily risk management operation ensuring it is within the prescribed limits.

**Credit Risk**

Credit risk arises from the other parties inability to settle their obligation within the agreed period of time, or risks that arise from recession in a specific economic sector.

Moreover, credit risk concentration for customers which are known as the risks which may face the bank as a result of uneven distribution, or concentration of credit facilities customers, or as a result form granting facilities to a specific economic sector unevenly or in another countries, which may result in increasing the probability of having a bad financial impact.

**Credit risk management:**

Credit risk is managed through the following:

- Promote the construction of a good and balanced credit portfolio that achieves the target return within its defined risk levels.
- Strict control of credit in its various stages and consistent compatibility with the instructions of the regulatory authorities and its amendments.
- Working on the diversification of the credit portfolio, including expanding the customer base according to the plans, limits and specified risks.

- Proceeding to work under the principles of separation between customer relationship management functions, credit analysis and credit control and monitoring.
- Credit facilities is granted on the basis of eligibility and repayment ability, taking into account the restrictions on borrowing or mortgaging in the Memorandum of Association and the internal policies of the company or institution, and the Bank's conviction that the customer is able to meet their obligations based on a comprehensive credit study within the acceptable risk levels.
- Prohibiting granting any credit facilities except for the specified purposes within the Bank's prescribed granting policies, and the Central bank of Jordan instructions, and the Local Bank's law, and any instructions issued by any legal authorities, and with the appropriate guarantees, which guarantees the bank's rights.
- Reducing the non-performing debt ratio in the credit portfolio while increasing the market share in commercial finance and corporate finance.
- Taking into consideration the diversification of the credit portfolio, especially in the corporate portfolio, while avoiding the concentration of client-level concentration over the prescribed limits.

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

	31 December 2017 JD	31 December 2016 JD
<b>Statement of financial position</b>		
Balances at central banks	1,088,004,244	912,391,743
Balances at banks and financial institutions	494,547,239	549,833,560
Deposits at banks and financial institutions	38,122,776	22,795,894
<b>Credit facilities</b>		
Retail	721,272,185	659,111,406
Real estate mortgages	1,176,418,369	1,110,250,701
<b>Corporate</b>		
Large Corporate	1,156,517,754	1,059,693,062
SMEs lending	310,490,172	307,466,448
<b>Government and public sector</b>	843,684,942	905,544,852
<b>Bonds debentures and treasury bills funds:</b>		
Financial assets at fair value through profit or loss	240,688	503,384
Other financial assets at amortized cost	1,781,141,993	1,791,900,701
<b>Total</b>	<b>7,610,440,362</b>	<b>7,319,491,751</b>
<b>Commitments and contingent liabilities</b>		
Letters of credit	443,688,759	325,245,500
Acceptances	60,801,969	74,730,105
Letters of guarantee	586,191,483	676,603,491
Un-utilized facilities	394,402,480	589,307,067
<b>Total</b>	<b>1,485,084,691</b>	<b>1,665,886,163</b>
	<b>9,095,525,053</b>	<b>8,985,377,914</b>

The above table represents the highest credit risk exposure for the Bank as of 31 December 2017 and 2016, without taking into consideration any collateral held or any other credit risk mitigating factors.



Exposure to credit risk is distributed as follows:

- 17.8% of the total exposure is derived from balances at central banks and other banks and financial institutions. (16.5%: 2016).
- 46.3% from the total exposure results from loans and credit facilities (45%: 2016).
- 19.6% from the total exposure results from investment in bonds debentures and treasury bills and funds (20%: 2016).
- 16.3% from the total exposure results from off-financial position items and other assets. (18.5%: 2016).

2- The following table shows the distribution of credit \* risk exposure according to credit risk rating:

	Corporate entities						Total
	Retail	Real estate	Corporate entities		Government and	Banks and	
		mortgages	Large companies	SMEs	public sector	other financial institutions	
	JD	JD	JD	JD	JD	JD	JD
<b>2017</b>							
Low risk	28,916,392	87,957,170	52,586,308	4,738,223	2,157,922,002	1,199,094,832	3,531,214,927
Acceptable risk	673,524,854	1,002,457,294	1,303,291,062	293,735,888	130,239,407	532,910,703	3,936,159,208
<b>From which past due**:</b>	12,788,778	45,561,409	88,738,242	25,519,791	-	-	172,608,220
Up to 30 days	12,328,696	45,561,409	84,148,565	20,718,870	-	-	162,757,540
From 31 to 60 days	460,082	-	4,589,677	4,800,921	-	-	9,850,680
Watch list	12,370,955	63,150,150	68,269,939	12,059,695	-	-	155,850,739
<b>Non – performing:</b>							
Sub-standard	3,089,228	2,902,471	22,972,014	1,005,491	-	-	29,969,204
Doubtful	8,055,581	14,827,118	1,548,242	1,590,963	-	-	26,021,904
Impaired	29,454,297	34,674,181	102,302,863	45,810,404	-	-	212,241,745
<b>Total</b>	<b>755,411,307</b>	<b>1,205,968,384</b>	<b>1,550,970,428</b>	<b>358,940,664</b>	<b>2,288,161,409</b>	<b>1,732,005,535</b>	<b>7,891,457,727</b>
<b>Less: Interest in suspense</b>	<b>13,667,876</b>	<b>14,021,783</b>	<b>44,737,782</b>	<b>20,081,617</b>	<b>-</b>	<b>-</b>	<b>92,509,058</b>
<b>Allowance for impairment</b>	<b>20,471,246</b>	<b>15,528,233</b>	<b>124,139,952</b>	<b>28,368,876</b>	<b>-</b>	<b>-</b>	<b>188,508,307</b>
<b>Net</b>	<b>721,272,185</b>	<b>1,176,418,368</b>	<b>1,382,092,694</b>	<b>310,490,171</b>	<b>2,288,161,409</b>	<b>1,732,005,535</b>	<b>7,610,440,362</b>
<b>2016</b>							
Low risk	13,487,488	70,937,882	22,055,797	5,949,334	2,428,588,317	912,391,743	3,453,410,561
Acceptable risk	625,957,134	972,043,775	1,159,067,547	285,005,086	128,951,139	572,629,454	3,743,654,135
<b>From which past due**:</b>	16,838,323	67,710,291	146,309,365	19,727,554	60,062,593	-	310,648,126
Up to 30 days	16,349,237	67,676,749	144,284,843	18,720,557	60,062,593	-	307,093,979
From 31 to 60 days	489,086	33,542	2,024,522	1,006,997	-	-	3,554,147
Watch list	11,639,027	42,284,455	82,878,025	18,046,017	-	-	154,847,524
<b>Non- performing:</b>							
Sub-standard	3,804,746	10,294,259	2,202,751	4,731,606	-	-	21,033,362
Doubtful	4,365,701	4,576,146	7,738,566	3,164,315	-	-	19,844,728
Impaired	30,563,039	35,211,588	100,496,470	31,299,098	-	-	197,570,195
<b>Total</b>	<b>689,817,135</b>	<b>1,135,348,105</b>	<b>1,374,439,156</b>	<b>348,195,456</b>	<b>2,557,539,456</b>	<b>1,485,021,197</b>	<b>7,590,360,505</b>
<b>Less: Interest in suspense</b>	<b>12,827,327</b>	<b>12,250,070</b>	<b>43,611,087</b>	<b>14,781,627</b>	<b>-</b>	<b>-</b>	<b>83,470,111</b>
<b>Allowance for impairment</b>	<b>17,878,403</b>	<b>12,847,330</b>	<b>130,725,527</b>	<b>25,947,383</b>	<b>-</b>	<b>-</b>	<b>187,398,643</b>
<b>Net</b>	<b>659,111,405</b>	<b>1,110,250,705</b>	<b>1,200,102,542</b>	<b>307,466,446</b>	<b>2,557,539,456</b>	<b>1,485,021,197</b>	<b>7,319,491,751</b>

\* Credit exposures include credit facilities, balances and deposits at banks and financial institutions, bonds, treasury bills and some other assets.

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



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

	Corporate entities				Government and Public	Total
	Retail	Real Estate	Large	SMEs	Sector	
	JD	Mortgages	Companies	JD	JD	
<b>2017</b>						
<u>Collaterals against</u>						
Low risk	31,591,668	88,282,501	51,729,162	4,542,974	665,694,006	<b>841,840,311</b>
Acceptable risk	113,833,613	845,980,189	396,714,093	171,994,662	12,883,614	<b>1,541,406,171</b>
Watch list	5,046,531	59,531,647	25,251,196	5,343,812	-	<b>95,173,186</b>
<b>Non-performing :</b>						
Sub – standard	749,516	2,860,940	16,115,396	663,733	-	<b>20,389,585</b>
Doubtful	4,959,654	14,735,690	972,425	1,006,775	-	<b>21,674,544</b>
Impaired	8,509,342	25,096,704	31,019,787	24,328,948	-	<b>88,954,781</b>
<b>Total</b>	<b>164,690,324</b>	<b>1,036,487,671</b>	<b>521,802,059</b>	<b>207,880,904</b>	<b>678,577,620</b>	<b>2,609,438,578</b>
<b>Including:</b>						
Cash margins	32,322,670	966,323	51,498,253	70,112,444	-	<b>154,899,690</b>
Government guarantee	-	-	7,942,971	8,682,638	665,694,004	<b>682,319,613</b>
Accepted bank guarantees	22,995,534	283,852,989	204,681,745	37,482,030	183,614	<b>549,195,912</b>
Residential mortgages	66,573,896	749,202,869	167,130,896	77,865,380	12,700,002	<b>1,073,473,043</b>
Listed shares	4,224,573	2,403,045	61,433,889	8,400,228	-	<b>76,461,735</b>
Equipment and vehicles	38,573,651	62,445	29,114,305	5,338,184	-	<b>73,088,585</b>
<b>Total</b>	<b>164,690,324</b>	<b>1,036,487,671</b>	<b>521,802,059</b>	<b>207,880,904</b>	<b>678,577,620</b>	<b>2,609,438,578</b>
	Corporate entities				Government and Public	Total
	Retail	Real Estate	Large	SMEs	Sector	
	JD	Mortgages	Companies	JD	JD	
<b>2016</b>						
<u>Collaterals against</u>						
Low risk	13,660,020	70,937,881	22,056,527	5,949,334	730,764,706	<b>843,368,468</b>
Acceptable risk	94,804,336	837,785,493	329,319,018	211,138,355	8,523,921	<b>1,481,571,123</b>
Watch list	6,064,473	38,971,224	54,960,016	7,525,531	-	<b>107,521,244</b>
<b>Non-performing :</b>						
Sub – standard	1,209,056	10,252,419	364,360	3,508,307	-	<b>15,334,142</b>
Doubtful	2,304,321	4,467,911	1,356,623	2,469,589	-	<b>10,598,444</b>
Impaired	10,331,880	35,325,844	24,527,872	20,221,554	-	<b>90,407,150</b>
<b>Total</b>	<b>128,374,086</b>	<b>997,740,772</b>	<b>432,584,416</b>	<b>250,812,670</b>	<b>739,288,627</b>	<b>2,548,800,571</b>
<b>Including:</b>						
Cash margins	21,880,030	2,401,041	173,445,882	31,883,322	-	<b>229,610,275</b>
Government guarantee	-	-	-	17,255,481	730,764,704	<b>748,020,185</b>
Accepted bank guarantees	22,188,251	239,470,287	42,054,093	116,228,886	232,000	<b>420,173,517</b>
Residential mortgages	62,463,065	754,522,428	134,636,619	75,102,329	8,291,923	<b>1,035,016,364</b>
Listed shares	3,134,456	1,291,768	48,132,815	6,873,045	-	<b>59,432,084</b>
Equipment and vehicles	18,708,284	55,248	34,315,007	3,469,607	-	<b>56,548,146</b>
<b>Total</b>	<b>128,374,086</b>	<b>997,740,772</b>	<b>432,584,416</b>	<b>250,812,670</b>	<b>739,288,627</b>	<b>2,548,800,571</b>

For the purposes of filling the above table, credit guarantees are listed taking into consideration they should not exceed the loan balance for each client.

### Rescheduled Loans

These represent loans previously classified as non-performing loans and were reclassified as other than non-performing loans watch list during the year 2017. Moreover, they amounted to JD 18,9 million as of 31 December 2017 (JD 41,6 million as of 31 December 2016).

The balance of scheduled debt represents the debt that was scheduled whether classified under watch list or transferred to performing.

### Restructured Loans

Restructuring is the re-arrangement of facilities installments by increasing their duration, postponing some installments or increasing the grace period. During the year 2017 they were classified within watch list facilities under control and amounted to JD 370,1 million as of 31 December 2017 (JD 309,7 million as of 31 December 2016).

### 3- Debt Securities and Treasury Bills

The Schedule below shows the distribution of bonds and bills according to the international agencies classification (classification institution S&P):

Rating grade	2017		
	Financial assets at	Other Financial	Total
	fair value through	assets at	
	P&L	amortized cost	
	JD	JD	JD
AAA	-	2,847,534	2,847,534
AA+	-	-	-
AA	-	10,453,934	10,453,934
AA-	-	6,569,934	6,569,934
A+	-	3,536,910	3,536,910
A	-	29,804,876	29,804,876
A-	-	38,295,126	38,295,126
BBB+	-	28,776,054	28,776,054
BBB	-	3,544,717	3,544,717
BBB-	-	6,068,889	6,068,889
BB+	-	2,162,672	2,162,672
BB	-	2,157,003	2,157,003
BBB-	-	743,928	743,928
B+	-	-	-
B	-	1,488,900	1,488,900
B-	-	-	-
CCC-	-	-	-
C	-	-	-
Un-rated	-	82,372,501	82,372,501
Governmental or government guarantee	240,688	1,562,319,015	1,562,559,703
<b>Total</b>	<b>240,688</b>	<b>1,781,141,993</b>	<b>1,781,382,681</b>

4- The schedule below shows the geographical distribution of the credit risk exposure (after allowance and suspended interest):

Geographical Area	Items	Other Middle East						Other Countries	Total
		Inside Jordan	Countries	Europe	Asia *	Africa *	America		
		JD	JD	JD	JD	JD	JD	JD	JD
<b>Cash and balances at central banks</b>		706,339,879	137,125,541	-	-	244,538,824	-	-	<b>1,088,004,244</b>
<b>Balances at banks and financial institutions</b>		62,034,086	122,038,704	298,265,365	5,478,838	1,771,134	1,653,387	3,305,725	<b>494,547,239</b>
<b>Deposits at banks and financial institutions</b>		20,000,000	2,235,633	15,887,143	-	-	-	-	<b>38,122,776</b>
<b>Credit Facilities</b>									
Retail		666,127,151	55,144,615	-	-	471	-	-	<b>721,272,237</b>
Real estate mortgages		978,902,929	48,364,077	144,910,901	-	4,136,507	-	103,951	<b>1,176,418,365</b>
<b>CORPORATE ENTITIES</b>									
Large companies		834,408,478	270,578,397	532,243	-	50,998,640	-	-	<b>1,156,517,758</b>
SMEs		120,541,323	20,195,507	710,456	-	165,539,405	-	3,503,429	<b>310,490,120</b>
<b>Government and public sector</b>		795,749,799	47,935,143	-	-	-	-	-	<b>843,684,942</b>
<b>Bonds debentures and treasury bills</b>									
Other financial assets at amortized costs		1,519,802,770	39,046,097	42,334,518	40,565,321	13,290,669	101,667,908	24,434,710	<b>1,781,141,993</b>
Financial Assets at fair value through P & L		240,688	-	-	-	-	-	-	<b>240,688</b>
<b>Total 2017</b>		<b>5,704,147,103</b>	<b>742,663,714</b>	<b>502,640,626</b>	<b>46,044,159</b>	<b>480,275,650</b>	<b>103,321,295</b>	<b>31,347,815</b>	<b>7,610,440,362</b>
<b>Total 2016</b>		<b>5,551,750,713</b>	<b>793,785,870</b>	<b>485,832,775</b>	<b>36,567,162</b>	<b>315,874,484</b>	<b>97,112,778</b>	<b>38,567,969</b>	<b>7,319,491,751</b>

\* Excluding the Middle East countries.

5- The schedule below shows the credit risk exposure according to economic sectors:

Economic Sectors	Items	Finance	Manufacturing	Trade	Real Estate	Agriculture	Shares	Retail	Governmental and Public Sector	Other	Total
		JD	JD	JD	JD	JD	JD	JD	JD	JD	JD
Balances at Central Banks		1,088,004,244	-	-	-	-	-	-	-	-	<b>1,088,004,244</b>
Balances at banks and financial institutions		494,547,239	-	-	-	-	-	-	-	-	<b>494,547,239</b>
Deposits at banks and financial institutions		38,122,776	-	-	-	-	-	-	-	-	<b>38,122,776</b>
Credit Facilities		127,713,364	446,608,206	473,206,445	1,223,243,166	11,010,144	4,672,654	745,305,391	843,501,327	333,122,725	<b>4,208,383,422</b>
<b>Bonds debentures and treasury bills</b>											
Financial assets at amortized costs		195,569,356	-	19,770,422	-	-	-	-	1,565,802,215	-	<b>1,781,141,993</b>
Financial assets designated at fair value through P&L		-	-	-	-	-	-	-	240,688	-	<b>240,688</b>
<b>Total 2017</b>		<b>1,943,956,979</b>	<b>446,608,206</b>	<b>492,976,867</b>	<b>1,223,243,166</b>	<b>11,010,144</b>	<b>4,672,654</b>	<b>745,305,391</b>	<b>2,409,544,230</b>	<b>333,122,725</b>	<b>7,610,440,362</b>
<b>Total 2016</b>		<b>1,706,034,697</b>	<b>302,163,155</b>	<b>410,646,618</b>	<b>1,080,224,265</b>	<b>7,618,572</b>	<b>1,758,459</b>	<b>715,305,085</b>	<b>2,567,383,035</b>	<b>528,357,865</b>	<b>7,319,491,751</b>



## **Market Risk**

Market risk is defined as the risk of fluctuation in fair value or cash flows of financial assets arising from changes in market prices, such as interest, foreign currency risk and shares price. These risks arise from open position in interests currencies and investments in shares.

Market risk is monitored through specialized committees, policies and procedures. Market risk includes interest rate risk, foreign currency risk and equity securities risk.

Market risk is measured and monitored through sensitivity analysis and VAR using a 99% confidence level according to Basel II policies, stop loss limits, and monitoring ceilings for trades and performing periodic reports.

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

### **1. Interest rate risk:**

It is the risk that results from the changes in market interest rate. And the Bank manages the interest rate risk by applying sensitivity analysis for the interest rate sensitive instruments designated at fair value through the income statement by shifting the yield curve a parallel shift of  $\pm 1\%$ .

Currency	Effect of increasing interest rate by 1% on the consolidated income statement	Effect of decreasing interest rate by 1% on the consolidated income statement	Effect of increasing interest rate by 1% on equity	Effect of decreasing in interest rate by 1% on equity
<b>Sensitivity Analysis 2017</b>				
US Dollars	(3,131)	3,131	(2,178)	2,178
<b>Sensitivity Analysis 2016</b>				
US Dollars	(7,981)	8,218	(5,492)	5,656

## 2. Foreign Exchange risk:

It is the risk that is resulting from the changes in foreign exchange rates that might have an effect on the Bank's assets and liabilities held in foreign currency. The Bank manages the exchange rate risk by applying sensitivity analysis to the Bank's net foreign currencies positions by shifting the exchange rate  $\pm 1\%$  on net profit and loss and shareholders' equity.

Currency	Effect of increasing exchange rate currency by 1% on the consolidated income statement JD	Effect of decreasing exchange rate currency by 1% on the consolidated income statement JD	Effect of increasing exchange rate currency by 1% on equity JD	Effect of decreasing exchange rate currency by 1% on equity JD
<b>Sensitivity Analysis 2017</b>				
Euro	47,130	(47,130)	32,779	(32,779)
Sterling Pound	543,584	(543,584)	378,063	(378,063)
Austrian Dollar	(238)	238	(165)	165
Swiss Frank	514	(514)	358	(358)
Canadian Dollar	(75)	75	(52)	52
Japanese Yen	998	(998)	694	(694)
Syrian Lira	29,822	(29,822)	20,741	(20,741)
Algerian Dinar	994,149	(994,149)	691,430	(691,430)
<b>Sensitivity Analysis 2016</b>				
Euro	(61,612)	61,612	(42,537)	42,537
Sterling Pound	629,623	(629,623)	434,692	(434,692)
Austrian Dollar	213	(213)	147	(147)
Swiss Frank	419	(419)	289	(289)
Canadian Dollar	(125)	125	(87)	87
Japanese Yen	909	(909)	628	(628)
Syrian Lira	34,903	(34,903)	24,097	(24,097)
Algerian Dinar	1,028,814	(1,028,814)	710,293	(710,293)

## 3. Equity price risk:

It is the risk that results from the changes in equity instruments prices in the Banks financial assets at fair value through profit or loss and for financial assets at fair value through other comprehensive income. The Bank manages the share price risk by applying the VAR methodology which was calculated on the basis of historical prices of equity instruments for a confidence level of 99% for one day for each company separately. The VAR was then calculated for the bank's portfolio.

	VAR
<b>Sensitivity Analysis VAR 2017</b>	
Financial assets at fair value through profit or loss	(1,046,041)
Financial assets at fair value through other comprehensive income	(99,592)
<b>Sensitivity Analysis VAR 2016</b>	
Financial assets at fair value through profit or loss	(1,061,810)
Financial assets at fair value through other comprehensive income	(29,357)

## Interest rate re-pricing gap:

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

	Interest rate re-pricing						Non-Interest Bearing Items	Total
	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years		
<b>2017</b>	JD	JD	JD	JD	JD	JD	JD	JD
<b>ASSETS</b>								
Cash and balances with Central banks	473,124,920	-	-	-	-	-	776,021,848	1,249,146,768
Balances with banks and financial institutions	311,752,720	153,480,673	-	-	-	-	29,313,846	494,547,239
Deposits with banks and financial institutions	-	-	7,059,246	31,063,530	-	-	-	38,122,776
Financial assets at fair value through profit or loss	-	-	-	-	240,688	-	21,159,190	21,399,878
Direct credit facilities - net	591,638,930	912,785,292	654,343,730	1,141,516,022	593,610,028	268,587,492	45,901,928	4,208,383,422
Financial assets at fair value through other comprehensive income	-	-	-	-	10,677	-	1,973,318	1,983,995
Other financial assets at amortized cost	47,358,539	78,702,532	82,835,771	244,005,820	1,278,953,256	49,286,075	-	1,781,141,993
Property and equipment – net	-	-	-	-	-	-	179,559,351	179,559,351
Intangible assets - net	-	-	-	-	-	-	25,083,022	25,083,022
Deferred tax assets	-	-	-	-	-	-	38,384,838	38,384,838
Other assets	-	-	-	-	-	-	103,186,885	103,186,885
<b>TOTAL ASSETS</b>	<b>1,423,875,109</b>	<b>1,144,968,497</b>	<b>744,238,747</b>	<b>1,416,585,372</b>	<b>1,872,814,649</b>	<b>317,873,567</b>	<b>1,220,584,226</b>	<b>8,140,940,167</b>
<b>LIABILITIES</b>								
Banks and financial institutions deposits	329,038,202	31,921,842	77,072,554	65,333,348	-	-	38,355,986	541,721,932
Customers' deposits	1,077,247,786	2,138,597,827	424,995,356	321,714,526	165,426,325	6,151,923	1,693,998,828	5,828,132,571
Margin accounts	93,225,424	49,524,452	46,088,804	36,721,883	4,545,937	3,594,143	32,906,146	266,606,789
Loans and Borrowing's	-	15,573,401	18,576,434	24,986,950	55,000,000	-	-	114,136,785
Sundry provisions	-	-	-	-	-	-	55,284,690	55,284,690
Income tax provision	-	-	-	-	-	-	50,509,319	50,509,319
Deferred tax liabilities	-	-	-	-	-	-	2,185,858	2,185,858
Other liabilities	-	-	-	-	-	-	166,131,862	166,131,862
<b>TOTAL LIABILITIES</b>	<b>1,499,511,412</b>	<b>2,235,617,522</b>	<b>566,733,148</b>	<b>448,756,707</b>	<b>224,972,262</b>	<b>9,746,066</b>	<b>2,039,372,689</b>	<b>7,024,709,806</b>
<b>Interest rate re-pricing gap</b>	<b>(75,636,303)</b>	<b>(1,090,649,025)</b>	<b>177,505,599</b>	<b>967,828,665</b>	<b>1,647,842,387</b>	<b>308,127,501</b>	<b>(818,788,463)</b>	<b>1,116,230,361</b>
<b>2016</b>								
<b>TOTAL ASSETS</b>	<b>1,369,470,988</b>	<b>1,110,705,413</b>	<b>687,231,114</b>	<b>1,212,046,284</b>	<b>1,827,302,410</b>	<b>588,308,508</b>	<b>1,025,160,478</b>	<b>7,820,225,195</b>
<b>TOTAL LIABILITIES</b>	<b>1,332,136,802</b>	<b>2,409,638,083</b>	<b>344,866,374</b>	<b>246,598,546</b>	<b>238,786,938</b>	<b>65,616,992</b>	<b>2,122,530,918</b>	<b>6,760,174,653</b>
<b>Interest rate re-pricing gap</b>	<b>37,334,186</b>	<b>(1,298,932,670)</b>	<b>342,364,740</b>	<b>965,447,738</b>	<b>1,588,515,472</b>	<b>522,691,516</b>	<b>(1,097,370,440)</b>	<b>1,060,050,542</b>



## CONCENTRATION OF FOREIGN CURRENCY RISK

Currency								
Items	US Dollar	Euro	Sterling	Japanese	Syrian lira	Algerian	Other	Total
	JD	JD	Pound	Yen	JD	Dinar	JD	JD
	JD	JD	JD	JD	JD	JD	JD	JD
<b>2017</b>								
<b>ASSETS</b>								
Cash and balances at Central banks	206,492,778	44,909,803	274,478	63	53,394,074	170,357,613	55,539,331	530,968,140
Balances at banks and financial institutions	377,017,606	33,651,904	13,303,385	774,380	9,435,003	1,673,126	26,214,785	462,070,189
Deposits at banks and financial institutions	14,292,866	3,585,086	137,078	-	-	-	107,746	18,122,776
Financial asset Designated at fair value through profit or loss	502,471,946	4,511,764	144,374,481	-	25,465,527	220,675,023	150,691,297	1,048,190,038
Direct credit facilities	873,485	-	-	-	-	-	-	873,485
Financial asset at fair value through other comprehensive income	56,309	-	-	-	-	-	-	56,309
Other Financial assets at amortized cost	470,135,443	18,922,279	13,731,882	-	-	1,538,750	-	504,328,354
Property and equipment - net	1,750	2,102	132,456	15	3,490,431	1,947,528	509,621	6,083,903
Intangible assets - net	78,646	94,448	6,266,146	700	5,534	2,069,841	163,480	8,678,795
Deferred tax assets	814,746	3,219	1,649,517	-	9,533	-	35,460	2,512,475
Other assets	2,632,854	396,953	1,623,184	215	704,405	15,377,216	6,312,035	27,046,862
<b>Total assets</b>	<b>1,574,868,429</b>	<b>106,077,558</b>	<b>181,492,607</b>	<b>775,373</b>	<b>92,504,507</b>	<b>413,639,097</b>	<b>239,573,755</b>	<b>2,608,931,326</b>
<b>LIABILITIES</b>								
Banks and financial institutions deposits	311,019,131	9,662,022	45,231,012	304	4,837,888	-	9,137,071	379,887,428
Customers' deposits	1,201,794,490	101,624,824	34,262,484	674,673	70,974,194	142,149,533	172,458,533	1,723,938,731
Margin accounts	46,483,422	5,280,416	245,144	-	2,211,454	70,724,188	11,017,101	135,961,725
Sundry provisions	-	45,781	-	-	16,984,335	-	877,976	17,908,092
Income tax provision	-	-	342,890	-	1,349,641	489,232	-	2,181,763
Other liabilities	9,399,717	844,898	560,578	117	9,468,578	81,482,329	1,710,706	103,466,923
<b>Total liabilities</b>	<b>1,568,696,760</b>	<b>117,457,941</b>	<b>80,642,108</b>	<b>675,094</b>	<b>105,826,090</b>	<b>294,845,282</b>	<b>195,201,387</b>	<b>2,363,344,662</b>
<b>Net position</b>	<b>6,171,669</b>	<b>(11,380,383)</b>	<b>100,850,499</b>	<b>100,279</b>	<b>(13,321,583)</b>	<b>118,793,815</b>	<b>44,372,368</b>	<b>245,586,664</b>
Off-financial position contingent liabilities	552,881,364	412,832,396	27,096,350	1,052,878	5,690,134	119,506,855	44,052,277	1,163,112,254
<b>2016</b>								
<b>ASSETS</b>								
<b>Total assets</b>	<b>1,580,014,804</b>	<b>91,358,687</b>	<b>183,102,118</b>	<b>700,733</b>	<b>44,405,907</b>	<b>294,908,419</b>	<b>227,338,803</b>	<b>2,421,829,471</b>
<b>Total liabilities</b>	<b>1,609,386,314</b>	<b>97,403,048</b>	<b>92,437,018</b>	<b>609,222</b>	<b>64,481,667</b>	<b>180,854,131</b>	<b>185,769,579</b>	<b>2,230,940,979</b>
<b>Net position</b>	<b>(29,371,510)</b>	<b>(6,044,361)</b>	<b>90,665,100</b>	<b>91,511</b>	<b>(20,075,760)</b>	<b>114,054,288</b>	<b>41,569,224</b>	<b>190,888,492</b>
Off-financial position contingent liabilities	647,004,259	373,054,741	27,998,159	210,291	7,356,180	-	201,344,855	1,256,968,485

### **Liquidity Risk**

Liquidity risk is defined as the Bank's failure to provide the required funding to cover its obligations at their respective due dates.

Liquidity risk is managed through the following:

- Cash inflow analysis for all assets and liabilities items.
- Preparation of Stress scenarios for liquidity risk.
- Evaluate and monitor concentration and fluctuation in financing sources.
- Asses the Bank's ability to borrow and finance it's activities.
- Monitor the compliance with the approved policies and the instructions of the Central Bank of Jordan in this regard.
- Submit periodic reports to higher management on the level of liquidity risk in the bank.

### **Sources of Funding:**

The Bank works to diversify its sources of funds including geographical sectors, currencies, customers, facilities, and conditions in order to attain financial flexibility and lower financing costs, in addition to maintaining stable financing sources.

The Bank has a large customer base of individuals and corporations with varying deposit accounts, of which 61% are stable and dominated in JD.

The following table illustrates the distribution of the liabilities (un-discounted) on the basis of the remaining period from the date of the consolidated financial statements until the date of contractual maturity.

	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	Over 3 Years	Without Maturity	Total
	JD	JD	JD	JD	JD	JD	JD	JD
<b>2017</b>								
<b>LIABILITIES</b>								
Banks and financial institutions deposits	367,568,698	31,982,493	77,402,039	65,891,950	-	-	-	542,845,180
Customers' deposits	801,766,291	304,348,149	267,794,761	206,881,751	1,539,920,574	1,369,540,446	1,461,211,225	5,951,463,197
Margin accounts	57,811,816	51,973,600	22,751,638	43,867,652	34,430,819	47,740,866	12,141,892	270,718,283
Loans and borrowings	-	15,680,598	18,864,137	25,760,921	59,543,000	-	-	119,848,656
Sundry provisions	127,817	255,634	383,451	766,901	3,067,605	18,405,627	32,277,655	55,284,690
Income tax provision	13,688,282	-	20,532,424	-	12,300,042	-	3,988,571	50,509,319
Deferred tax liabilities	-	-	-	-	2,185,858	-	-	2,185,858
Other liabilities	26,486,023	-	15,885,097	-	-	-	123,760,742	166,131,862
<b>TOTAL</b>	<b>1,267,448,927</b>	<b>404,240,474</b>	<b>423,613,547</b>	<b>343,169,175</b>	<b>1,651,447,898</b>	<b>1,435,686,939</b>	<b>1,633,380,085</b>	<b>7,158,987,045</b>
<b>TOTAL ASSETS ACCORDING TO THEIR EXPECTED MATURITY</b>	<b>1,608,760,411</b>	<b>686,614,371</b>	<b>422,819,865</b>	<b>823,754,993</b>	<b>2,674,622,009</b>	<b>1,355,814,723</b>	<b>568,553,795</b>	<b>8,140,940,167</b>

<b>2016</b>								
<b>LIABILITIES</b>								
Banks and financial institutions deposits	304,600,436	44,885,884	-	46,618,877	17,729,767	-	80,073,404	493,908,368
Customers' deposits	1,152,786,803	(853,620,317)	328,068,499	194,104,252	1,377,673,155	1,606,353,907	1,948,983,491	5,754,349,790
Margin accounts	50,806,725	37,655,624	25,622,712	46,168,581	63,839,596	103,596,969	9,494,264	337,184,471
Loans and borrowings	-	13,637,931	11,273,731	8,684,796	5,335,000	-	170,492	39,101,950
Sundry provisions	131,343	262,687	394,030	788,060	3,152,242	18,913,451	32,382,556	56,024,369
Income tax provision	9,319,497	-	32,729,245	4,404,792	9,520,025	1,026,871	-	57,000,430
Deferred tax liabilities	-	-	-	-	2,056,712	-	-	2,056,712
Other liabilities	74,908,344	768,928	9,356,827	901,487	-	-	51,227,536	137,163,122
<b>TOTAL</b>	<b>1,592,553,148</b>	<b>(756,409,263)</b>	<b>407,445,044</b>	<b>301,670,845</b>	<b>1,479,306,497</b>	<b>1,729,891,198</b>	<b>2,122,331,743</b>	<b>6,876,789,212</b>
<b>TOTAL ASSETS ACCORDING TO THEIR EXPECTED MATURITY</b>	<b>1,677,631,617</b>	<b>458,510,290</b>	<b>380,965,190</b>	<b>846,856,484</b>	<b>2,445,939,813</b>	<b>1,524,080,128</b>	<b>486,241,673</b>	<b>7,820,225,195</b>

### Commitments and contingent liabilities:

	Up to 1 Year	1-5 Years	Over 5 Years	Total
	JD	JD	JD	JD
<b>2017</b>				
Letters of credit and acceptances	608,260,119	73,109,252	-	681,369,371
Un- utilized ceilings	381,251,033	13,151,447	-	394,402,480
Letters of guarantee	552,306,689	33,884,794	-	586,191,483
<b>Total</b>	<b>1,541,817,841</b>	<b>120,145,493</b>	<b>-</b>	<b>1,661,963,334</b>
<b>2016</b>				
Letters of credit and acceptances	451,643,158	146,977,307	3,041,739	601,662,204
Un- utilized ceilings	576,845,094	12,461,973	-	589,307,067
Letters of guarantee	631,186,669	45,411,696	5,126	676,603,491
<b>Total</b>	<b>1,659,674,921</b>	<b>204,850,976</b>	<b>3,046,865</b>	<b>1,867,572,762</b>



## 41- SEGMENT ANALYSIS

### A- Information on the Bank Activities:

For management purposes, the Bank is organized into four major business segments according to reports sent to the chief operating officer:

**Retail Banking:** Principally handling individual customers' and small businesses' deposits and providing loans, overdrafts, credit cards and other services.

**Corporate Banking:** Principally handling deposits and credit facilities and other financial services for corporate and institutional customers.

**Corporate Finance:** Principally arranging structured finance and providing services relating to privatizations, IPO's, mergers and acquisitions.

**Treasury:** Principally providing trading and treasury services and the management of the Bank's funds in money and capital markets.

The following table shows the Bank's business segments:

							Total	
	Retail Banking	Corporate	Corporate Finance	Treasury	Others	Elimination	31 December 2017	31 December 2016
	JD	JD	JD	JD	JD	JD	JD	JD
<b>Gross Income</b>	211,999,569	163,136,439	7,129,165	114,498,013	17,508,038	(78,234,750)	<b>436,036,474</b>	<b>456,476,315</b>
Impairment of credit facilities	(1,611,169)	1,302,913	-	-	-	-	(308,256)	(12,875,272)
Impairment of Financial Assets	-	-	-	(562,132)	-	-	(562,132)	(900,000)
Segment results	87,705,329	76,803,734	1,792,749	12,095,307	15,414,926	-	193,812,045	215,601,593
Unallocated expenses	-	-	-	-	-	-	(13,799,349)	(25,265,462)
<b>Income before tax</b>	-	-	-	-	-	-	<b>180,012,696</b>	<b>190,336,131</b>
<b>Income Tax</b>	-	-	-	-	-	-	<b>(54,808,429)</b>	<b>(59,323,518)</b>
<b>Profit for the year</b>	-	-	-	-	-	-	<b>125,204,267</b>	<b>131,012,613</b>
<b>Segment Assets</b>	4,393,722,081	2,691,711,081	108,400,989	3,536,032,558	1,213,314,128	-	<b>11,943,180,837</b>	<b>11,590,680,282</b>
Elimination of assets between segments	(2,679,441,515)	-	-	(486,452,239)	(674,731,754)	-	(3,840,625,508)	(3,811,193,794)
Unallocated assets	-	-	-	-	-	-	38,384,838	40,738,707
<b>Total Assets</b>	-	-	-	-	-	-	<b>8,140,940,167</b>	<b>7,820,225,195</b>
<b>Segment Liabilities</b>	4,313,860,120	2,712,344,195	105,314,511	3,401,292,201	290,072,033	-	<b>10,822,883,060</b>	<b>10,523,622,715</b>
Elimination of liabilities between segments	-	(926,643,388)	(57,743,671)	(2,815,972,053)	-	-	(3,800,359,112)	(3,765,504,774)
Unallocated liabilities	-	-	-	-	-	-	2,185,858	2,056,712
<b>Total Liabilities</b>	-	-	-	-	-	-	<b>7,024,709,806</b>	<b>6,760,174,653</b>
Capital expenditures	-	-	-	-	-	-	27,776,219	30,266,996
Depreciation and amortization	-	-	-	-	-	-	15,439,485	15,628,444

## B- Geographical Distribution:

The following is the geographical distribution of the Bank's operations. The Bank conducts its operations mainly in the Kingdom (local operations). Moreover, the Bank conducts international operations through its branches and subsidiaries in the Middle East, Asia, Africa and Europe.

Here below is the distribution of the Bank's income, assets, and capital expenditure inside and outside the Kingdom "Based on the Bank's internal policy, the way it is being measured and based on the reports used by the General Manager and the main decision maker in the Bank":

	Inside Jordan		Outside Jordan		Total	
	2017	2016	2017	2016	2017	2016
	JD	JD	JD	JD	JD	JD
Gross income	343,403,123	341,504,296	92,633,351	114,972,019	436,036,474	456,476,315
Total assets	6,052,320,524	5,850,345,520	2,088,619,643	1,969,909,675	8,140,940,167	7,820,255,195
Capital expenditures	22,905,407	27,879,946	4,870,812	2,387,050	27,776,219	30,266,996

## 42- CAPITAL MANAGEMENT:

Through the management of its paid-up capital, the Bank seeks to achieve the below goals:

- Compliance with the Central Bank capital related requirements.
- Maintaining its ability as a going concern.
- Having a strong capital base for supporting the Bank's expansion and development.

Capital adequacy is reviewed monthly, and reported quarterly to the Central Bank.

According to the Central Bank Instructions, the minimum requirement for capital adequacy is 12%. Banks are classified into 5 categories, the best of which is having an average capital adequacy equal to or more than 14%.

The Bank restructures and modifies its capital according to the business environment. There are no amendments in the goals, policies and procedures related to capital management during the current year.

The schedule below shows the capital components, amount, total risk weighted assets, and capital adequacy ratios according to the instructions of the Central Bank, based on the instructions of Basel III Committee.

	31 December 2017 JD	31 December 2016 JD
<b>1. Common Equity Tier 1 Capital</b>		
Paid-in capital	315,000,000	252,000,000
Retained earnings	204,068,344	166,622,054
Other comprehensive income	(106,750,874)	(111,060,231)
Net fair value reserve	(109,459)	(344,677)
Foreign currency translation Reserve	(106,641,415)	(110,715,554)
Share premium	328,147,537	357,925,469
Voluntary reserve	206,727,314	189,039,398
Statutory reserve	-	33,222,068
Other reserve	8,807,007	7,752,032
Non-controlling Interest	22,783,052	12,647,352
<b>Total capital of common stock</b>	<b>978,782,380</b>	<b>908,148,142</b>
Regulatory amendments (Propositions of the capital)	(65,114,795)	(66,390,023)
Goodwill and other intangible assets	(25,083,022)	(24,351,994)
Deferred tax assets	(38,384,838)	(40,738,707)
Investments in capital of non consolidated subsidiaries	(28,477)	(24,409)
Mutual fund investments in the capital of Banking, Financial and Insurance Entities (within CET1)	(1,618,458)	(1,274,913)
<b>Total primary capital</b>	<b>913,667,585</b>	<b>841,758,119</b>
<b>2. Additional Tier 1</b>		
Non-controlling Interest	4,020,539	2,231,886
Total additional capital	4,020,539	2,231,886
Regulatory amendments (Propositions of the capital)	-	-
<b>Net additional capital</b>	<b>4,020,539</b>	<b>2,231,886</b>
<b>Net additional capital Tier 1.</b>	<b>917,688,124</b>	<b>843,990,005</b>
<b>3. Tier 2</b>		
General banking risk reserve	37,608,684	36,101,000
Non-controlling Interest	5,360,718	2,975,847
<b>Total capital cushions</b>	<b>42,969,402</b>	<b>39,076,847</b>
Regulatory amendments (Propositions of the capital)	(12,204)	(16,272)
Investments in capital of non consolidated subsidiaries	(12,204)	(16,272)
<b>Net additional capital Tier 2</b>	<b>42,957,198</b>	<b>39,060,575</b>
<b>Regulatory capital</b>	<b>960,645,322</b>	<b>883,050,580</b>
<b>Total weighted assets risk average.</b>	<b>5,615,792,970</b>	<b>5,187,555,270</b>
<b>Capital Adequacy Ratio %</b>	<b>17.11%</b>	<b>17.02%</b>



#### **43- LEVELS OF THE FAIR VALUE**

The following table analyzes the financial instruments recorded at fair value based the valuation method, which is defined at different levels as follows:

Level 1: List prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Information other than the advertised price included in level 1, which is monitored for the asset or liability, either directly (such as prices) or indirectly (i.e., derived from the prices).

Level 3: Information on the asset or liability is not based on those observed in the market (unobservable).

	Level 1	Level 2	Level 3	Total
	JD	JD	JD	JD
<b><u>31 December 2017</u></b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	-	-	1,983,995	1,983,995
Financial assets at fair value through P&L	5,393,714	16,006,164	-	21,399,878
Forward foreign currencies contracts	95,751	-	-	95,751
<b>Total financial assets</b>	<b>5,489,465</b>	<b>16,006,164</b>	<b>1,983,995</b>	<b>23,479,624</b>
<b>Financial Liabilities</b>				
Forward foreign currencies contracts	57,028	-	-	57,028
<b>Total</b>	<b>57,028</b>	<b>-</b>	<b>-</b>	<b>57,028</b>
<b><u>31 December 2016</u></b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income	-	-	580,524	580,524
Financial assets at fair value through P&L	5,031,310	16,926,409	-	21,957,719
Forward foreign currencies contracts	295,177	-	-	295,177
<b>Total financial assets</b>	<b>5,326,487</b>	<b>16,926,409</b>	<b>580,524</b>	<b>22,833,420</b>
<b>Financial Liabilities</b>				
Forward foreign currencies contracts	295,177	-	-	295,177
<b>Total</b>	<b>295,177</b>	<b>-</b>	<b>-</b>	<b>295,177</b>

#### **44- FIDUCIARY ACCOUNTS**

Investment accounts managed on behalf of customers amounted to JD 706 Thousands as of 31 December 2017 against JD 739 thousands as of 31 December 2016. These accounts are not included in the assets and liabilities of the Bank financial statements. The management commissions and fees on these accounts are recorded in the consolidated income statement.

**45- ASSETS AND LIABILITIES EXPECTED MATURITIES**

The following table illustrates the assets and liabilities according to expected maturity periods:

	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
<b>2017</b>			
<b>Assets</b>			
Cash and balances at Central Banks	1,076,514,557	172,632,211	1,249,146,768
Balances at banks and financial institutions	494,547,239	-	494,547,239
Deposits at banks and financial institutions	38,122,776	-	38,122,776
Financial assets at fair value through profit or loss	5,393,714	16,006,164	21,399,878
Direct credit facilities – net	1,497,217,104	2,711,166,318	4,208,383,422
Financial assets at fair value through other comprehensive income	-	1,983,995	1,983,995
Other financial assets at amortized cost	412,185,034	1,368,956,959	1,781,141,993
Property and equipment – net	-	179,559,351	179,559,351
Intangible assets - net	-	25,083,022	25,083,022
Deferred tax assets	-	38,384,838	38,384,838
Other assets	19,469,217	83,717,668	103,186,885
<b>Total assets</b>	<b>3,543,449,641</b>	<b>4,597,490,526</b>	<b>8,140,940,167</b>
<b>Liabilities</b>			
Banks and financial institutions deposits	541,721,932	-	541,721,932
Customers' deposits	2,706,671,866	3,121,460,705	5,828,132,571
Margin accounts	175,566,940	91,039,849	266,606,789
Loans and borrowings	59,136,785	55,000,000	114,136,785
Sundry provisions	1,533,803	53,750,887	55,284,690
Income tax provision	38,209,277	12,300,042	50,509,319
Deferred tax liabilities	-	2,185,858	2,185,858
Other liabilities	42,371,120	123,760,742	166,131,862
<b>Total liabilities</b>	<b>3,565,211,723</b>	<b>3,459,498,083</b>	<b>7,024,709,806</b>
<b>Net</b>	<b>(23,262,081)</b>	<b>1,139,492,444</b>	<b>1,116,230,361</b>

	Up to 1 Year	Over 1 Year	Total
	JD	JD	JD
<b>2016</b>			
<b>Assets</b>			
Cash and balances at Central Banks	885,855,131	166,646,835	1,052,501,966
Balances at banks and financial institutions	549,833,560	-	549,833,560
Deposits at banks and financial institutions	22,299,785	496,109	22,795,894
Financial assets at fair value through profit or loss	4,527,926	17,429,793	21,957,719
Direct credit facilities – net	1,287,369,548	2,754,696,921	4,042,066,469
Financial assets at fair value through other comprehensive income	-	580,524	580,524
Other financial assets at amortized cost	560,821,450	1,231,079,251	1,791,900,701
Property and equipment – net	-	168,524,627	168,524,627
Intangible assets - net	-	24,351,994	24,351,994
Deferred tax assets	-	40,738,707	40,738,707
Other assets	53,256,181	51,716,853	104,973,034
<b>Total assets</b>	<b>3,363,963,581</b>	<b>4,456,261,614</b>	<b>7,820,225,195</b>
<b>Liabilities</b>			
Banks and financial institutions deposits	475,722,883	17,440,259	493,163,142
Customers' deposits	2,706,656,739	2,940,870,354	5,647,527,093
Margin accounts	159,336,791	169,564,492	328,901,283
Loans and borrowings	33,168,010	5,170,492	38,338,502
Sundry provisions	1,576,120	54,448,249	56,024,369
Income tax provision	46,453,534	10,546,896	57,000,430
Deferred tax liabilities	-	2,056,712	2,056,712
Other liabilities	85,935,586	51,227,536	137,163,122
<b>Total liabilities</b>	<b>3,508,849,663</b>	<b>3,251,324,990</b>	<b>6,760,174,653</b>
<b>Net</b>	<b>(144,886,082)</b>	<b>1,204,936,624</b>	<b>1,060,050,542</b>



**46- CONTRACTUAL COMMITMENTS AND CONTINGENT LIABILITIES (OFF STATEMENT OF FINANCIAL POSITION)**

**A- Credit commitments and contingent liabilities:**

	31 December 2017	31 December 2016
	JD	JD
Letters of credit	620,567,402	526,932,099
Acceptances	60,801,969	74,730,105
<b>Letters of guarantee:</b>		
• Payment	121,941,953	131,644,049
• Performance	134,023,651	135,504,853
• Other	330,225,879	409,454,589
Irrevocable commitments to extend credit	394,402,480	589,307,067
<b>Total</b>	<b>1,661,963,334</b>	<b>1,867,572,762</b>

**B- Contractual commitments:-**

	31 December 2017	31 December 2016
	JD	JD
Purchase of property and equipment contracts	8,908,773	910,742
Construction Projects contracts	7,412,110	7,442,237
Other purchases contracts	6,993,254	12,353,270
<b>Total</b>	<b>23,314,137</b>	<b>20,706,249</b>

**47- LAWSUITS AGAINST THE BANK**

There are lawsuits raised against the Bank amounting to JD 36.1 million as of 31 December 2017 (JD 33.81 million as of 31 December 2016). In the opinion of Bank's management and the legal advisor, no material liabilities will arise as a result of these lawsuits exceeding the related provision amounting to JD 1,278,282 as of 31 December 2017 (JD 520,677 as of 31 December 2016).

**48- NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**Standards issued but not effective**

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

**IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. The Bank has implemented the first phase of IFRS 9 as issued during 2009. The date of initial implementation of the first phase of IFRS 9 was 1 January 2011.

The new version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required; however, the entities are exempted from restating their comparative information.

The Bank plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Bank has performed an impact assessment of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank in 2018 when the Bank adopts IFRS 9. The Bank expects based on preliminary figures an increase in the loss allowance for an amount of JD 70 millions resulting in an equal negative impact on equity, as well as it might affect the deferred taxes. In addition, the Bank will implement changes in classification of certain financial instruments.

#### **(a) Classification and Measurement**

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

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

#### **(b) Impairment**

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

#### **Incurred Loss versus Expected Loss Methodology**

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



## **Stage Migration and Significant Increase in Credit Risk**

- **For non-Impaired Financial Instruments**

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

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

- **For Impaired Financial Instruments**

- Financial instruments are classified as stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires that lifetime ECL be recognized for impaired financial instruments, which is similar to the current requirements under IAS 39 for impaired financial instruments.

For the business and government portfolios, the individually assessed allowances for impaired instruments recognized under IAS 39 will generally be replaced by stage 3 allowances under IFRS 9, while the collective allowances for non-impaired financial instruments will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9. For the retail portfolios, the portion of the collective allowances that relate to impaired financial instruments under IAS 39 will generally be replaced by stage 3 allowances, while the non-impaired portion of the collective allowances will generally be replaced by either stage 1 or stage 2 allowances under IFRS 9.

## **Key Drivers of Expected Credit Loss**

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

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



## **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 specifies the accounting treatment for all revenue arising from contracts with customers. It applies to all entities that enter into contracts to provide goods or services to their customers, unless the contracts are in the scope of other IFRSs, such as IAS 17 Leases.

IFRS 15 supersedes:

- IAS 11 Construction Contracts
- IAS 18 Revenue
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 18 Transfers of Assets from Customers
- SIC-31 Revenue—Barter Transactions Involving Advertising Services.

The standard is effective for annual periods beginning on or after 1 January 2018, and early adoption is permitted.

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

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

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

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

Entities may apply the amendments prospectively and are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

## **IFRS 16 Leases**

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

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

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

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

## **IFRS 17 Insurance Contracts**

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

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

## **Transfers of Investment Property (Amendments to IAS 40)**

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

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



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

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

### **IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration**

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

### **IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

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

### **49- COMPARATIVE FIGURES**

Some of the year 2016 figures have been reclassified to correspond with the year 2017 presentation. There is no effect on the income and equity for the year 2016.