

JORDAN KUWAIT BANK
(PUBLIC LIMITED SHAREHOLDING COMPANY)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
31 MARCH 2018

**JORDAN KUWAIT BANK
(PUBLIC SHAREHOLDING COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

31 MARCH 2018

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**REVIEW REPORT ON INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE CHAIRMAN AND BOARD OF DIRECTORS OF
JORDAN KUWAIT BANK
(PUBLIC LIMITED SHAREHOLDING COMPANY)**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Jordan Kuwait Bank as of 31 March 2018 and the related interim condensed consolidated statements of income and comprehensive income, interim condensed consolidated statements of changes in equity and cash flows for the three months then ended. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (34) "interim financial reporting". Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements (2410) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

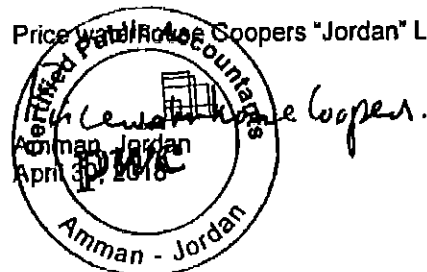
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not properly prepared, in all material respects, in accordance with International Accounting Standard (34).

Other Matters

The interim condensed consolidated financial statements have been prepared in accordance with the listing instructions of Amman Stock Exchange and for management purposes and they are not subject to the approval of the Central Bank of Jordan.

Price Waterhouse Coopers "Jordan" L.L.C.



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

		March 31, 2018 (Reviewed Not Audited)	December 31, 2017
	Note	JD	JD
ASSETS			
Cash and balances at central banks	4	264,750,654	224,259,331
Balances at banks and financial institutions	5	325,848,790	317,656,834
Deposits at banks and financial institutions	6	-	6,246,210
Direct credit facilities-net	7	1,488,522,060	1,562,286,911
Financial assets at fair value through profit or loss	8	-	66,673,669
Financial assets at fair value through comprehensive income	9	125,030,607	29,240,711
Financial assets at amortized cost	10	350,035,243	395,100,921
Property and equipment - net		29,006,478	29,388,555
Intangible assets - net		4,530,596	5,095,610
Deferred tax assets		27,114,900	11,299,456
Other assets	11	189,218,218	180,796,785
Assets held for sale - net	23	4,522,166	4,162,033
TOTAL ASSETS		2,808,579,711	2,832,207,026
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES:			
Banks and financial institutions deposits		271,862,216	306,217,195
Customers deposits		1,824,607,714	1,808,308,934
Cash margins		97,693,178	96,179,696
Borrowed funds		81,333,986	80,137,973
Other provisions		11,405,362	10,921,129
Provision for income tax	12	16,761,601	12,210,713
Deferred tax liabilities		3,846,957	3,791,258
Other liabilities		62,521,071	45,367,012
Liabilities directly related to assets held for sale	23	1,059,686	661,794
TOTAL LIABILITIES		2,371,091,771	2,363,795,704
OWNERS' EQUITY:			
EQUITY - BANK SHAREHOLDERS:			
Authorized and paid-up capital		100,000,000	100,000,000
Statutory reserve	22	86,034,401	86,034,401
Voluntary reserve	22	160,466,574	160,466,574
Pro-cyclicality reserve	22	227,597	227,597
General banking risks reserve		-	14,288,875
Financial assets valuation reserve - net of tax		8,290,589	8,135,930
Equity directly related to assets held for sale	23	(17,829)	(17,829)
Retained earnings	21	72,276,897	99,275,774
Income for the Period		10,209,711	-
TOTAL EQUITY - BANK'S SHAREHOLDERS		437,487,940	468,411,322
TOTAL LIABILITIES AND OWNERS' EQUITY		2,808,579,711	2,832,207,026

THE ACCOMPANYING NOTES FROM (1) TO (23) CONSTITUTE AN INTEGRAL
PART OF THESE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND SHOULD BE
READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF INCOME
(Reviewed Not Audited)

	Note	For the Three Months Ended March 31,	
		2018	2017
		JD	(represented) JD
Interest Income		36,093,071	32,336,551
Less: Interest expense		13,183,368	8,648,600
Net Interest Income		22,909,703	23,687,951
Net commission income		2,647,124	2,513,579
Net Interest and Commission Income		25,556,827	26,201,530
Foreign currency income		1,449,454	1,044,680
Gain from financial assets at fair value through profit or loss	13	-	1,199,118
Cash dividends from financial assets at fair value through comprehensive income	9	1,040,205	581,140
Other income		3,628,171	2,601,837
Gross Income		31,674,657	31,628,305
Employees expenses		6,436,022	6,227,571
Depreciation and amortization		1,743,188	1,553,346
Provision for Impairment In direct credit facilities	7	88,598	1,994,791
Provision for Impairment In investments		58,029	-
Provision for impairment In deposits at banks and financial Institutions		8,899	-
Other provisions		872,151	637,681
Other expenses		7,535,469	6,917,609
Total Expenses		16,742,356	17,330,998
Income for the Period before Income Tax Expense		14,932,301	14,297,307
Less: Income tax expense		4,684,830	4,723,050
Income for the Period from continued operations		10,247,471	9,574,257
Net (loss) profit from non-continued operations	23	(37,760)	(919,457)
Profit for the period		10,209,711	8,654,800
<u>Earnings per Share for the Period Attributable to the Bank's Shareholders:</u>			
Basic and Diluted	14	0.102	0.087
<u>Earnings per Share from Income for the period from continued operations</u>			
Basic and Diluted		0.102	0.096
<u>Earnings per Share from (loss) for the period from non-continued operations</u>			
		(0.000)	(0.009)

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CHAIRMAN OF BOARD OF DIRECTORS

GENERAL MANAGER

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(Reviewed Not Audited)

	<u>For the Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2017</u> <u>(represented)</u>
	<u>JD</u>	<u>JD</u>
Income for the Period	10,209,711	8,654,800
<u>Other Comprehensive Income Items:</u>		
<u>Items won't be subsequently transferable to condensed Interim consolidated statement of</u>		
<u>Income:</u>		
Net change In financial assets at fair value valuation reserve - net of tax	<u>154,659</u>	<u>(633,437)</u>
Total Comprehensive Income for the Period	<u>10,364,370</u>	<u>8,021,363</u>

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(Reviewed Not Audited)

- Use of the General Banking Risks Reserve is restricted and requires the pre-approval of the Central Bank of Jordan.

READ WITH THEM AND WITH THE ACCOMPANYING REVIEW REPORT.

JORDAN KUWAIT BANK
(A PUBLIC LIMITED SHAREHOLDING COMPANY)
AMMAN - JORDAN
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
(Reviewed Not Audited)

		For the Three Months Ended March 31,	
	Note	2018	2017
		JD	JD
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income for the period before income tax		14,894,541	13,377,850
Adjustments:			
Depreciation and amortization		1,743,188	(1,553,346)
Provision for Impairment in direct credit facilities	7	88,598	1,994,791
Provision for Impairment in Investments		58,029	-
Provision for Impairment in deposits at banks and financial institutions		8,899	-
Net Interest Income		(8,239,932)	(10,636,916)
Provision for staff indemnity		782,151	521,121
Provision for lawsuits against the Bank and contingent claims		90,000	90,000
Valuation loss of financial assets at fair value through profit or loss	13	-	(918,295)
Effect of exchange rate fluctuations on cash and cash equivalents		(6,859)	(1,669)
Total		9,418,615	2,873,536
CHANGES IN ASSETS AND LIABILITIES:			
Decrease in deposits at banks and financial institutions		7,971,807	14,166,627
Decrease (Increase) in direct credit facilities		25,625,634	(7,613,237)
(Increase) in financial assets at fair value through profit or loss		-	(2,298,803)
(Increase) in other assets		9,472,565	13,977,449
(Increase) in banks and financial institutions deposits due after three months		(39,774,816)	(33,289,893)
(Increase) in customers deposits		16,298,780	(45,225,104)
(Increase) increase in cash margins		1,513,482	(245,767)
(Increase) in other provisions		(387,918)	(59,460)
(Increase) in other liabilities		594,703	(4,928,917)
Net Cash Flows (used in) from Operating Activities before income tax		30,732,852	(62,643,569)
Income tax paid		(163,821)	(2,659,574)
Net Cash Flows (used in) from Operating Activities		30,569,031	(65,303,143)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease in financial assets at amortized cost		29,041,702	24,916,654
(Increase) in financial assets at fair value through comprehensive income		(14,942,754)	(1,554,641)
(Increase) decrease in assets held for sale - net		(360,133)	-
Increase in liabilities directly related to assets held for sale		397,892	-
(Increase) in property, equipment and intangible assets		(796,097)	(736,405)
Net Cash Flows from Investing Activities		13,340,611	22,625,608
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in non-controlling interest		-	50,728
Increase in borrowed funds		1,196,013	25,443,695
Net Cash Flows from Financing Activities		1,196,013	25,494,423
Effect of exchange rate fluctuations on cash and cash equivalents		6,859	1,669
Net Increase (Decrease) in Cash and Cash Equivalents		45,112,514	(17,181,443)
Cash and cash equivalent - beginning of the period		272,915,714	145,447,357
Cash and Cash Equivalent - End of the Period	15	318,028,228	128,265,914

THE ACCOMPANYING NOTES FROM (1) TO (23) CONSTITUTE AN INTEGRAL
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1 GENERAL INFORMATION

- Jordan Kuwait Bank was established as a Jordanian public limited shareholding company under number (108) on October 25, 1976 in accordance with the Jordanian Companies Law No. (13) for the year 1964. The Bank's Head Office address is as follows: Omayya Bin Abdshams Street, Abdali – Amman. Tel. +962 (6) 5629400, P.O. Box 9776, Amman – 11191 Jordan.
- The Bank is engaged in all banking and financial related operations through its branches totaling 65 branches inside Jordan, five foreign branches, and three subsidiary companies.
- Jordan Kuwait Bank is listed as a public limited shareholding company on the Amman Stock Exchange.
- The consolidated financial statements have been approved by the Bank's Board of Directors, in their meeting held on April 19, 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

Following are the significant accounting policies used by the Bank in the preparation of these interim condensed consolidated financial statements.

2.1 Basis of preparation

The interim condensed consolidated financial statements of the Bank have been prepared in accordance with International Accounting Standards No. (34) ("interim financial reporting"), and in accordance with the local laws and the instructions of Central Bank of Jordan.

The interim condensed consolidated financial statements are prepared under the historical cost convention, except for financial assets at fair value through statement of income, financial assets at fair value through other comprehensive income that have been measured at fair value at the date of these interim condensed consolidated financial statements.

The reporting currency of these interim condensed consolidated financial statements is the Jordanian Dinar which is the functional currency of the Bank.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the consolidated financial statements of the Bank for the year ended 31 December 2017. Furthermore, the results of operations for the three months ended 31 March 2018 do not necessarily reflect the expected results for the year ending 31 December 2018, except for not appropriating the profit of the three months ended on 31 March 2018 which is usually performed at year end.

2.2 Changes in accounting policies and disclosures

The accounting policies, used in the preparation of these interim condensed consolidated financial statements are consistent with those used in the preparation of the Bank's financial statements for the year ended 31 December 2017, except for the adoption of the following new standards and amendments to existing standards, which had no significant impact on these interim condensed consolidated financial statements:

(a) New and amended standards adopted by the Bank, which have insignificants effect on the financial statements:

- Amendments to IAS 12 - 'Income tax' which explains measurement and accounting for deferred tax assets.
- Amendments to IAS 7, 'Statement of cash flows'. The amendment requires additional disclosures about changes in liabilities arising from financing activities. The standard is effective for annual periods beginning on or after 1 January 2017 and early adoption is permitted.
- Amendments to IAS 40, 'Transfers of Investment Property'.
- Annual Improvements to IFRSs – 2012-2014 Cycle.
- **IFRS 15 "Revenue from Contracts with Customers"**

Nature of change: The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer.
The standard permits a modified retrospective approach for the adoption

Impact: The management is not expecting any impact of adoption this standard over the Bank's financial statements, as most of the Bank's income is generated through sources not subject to this standard.

Mandatory application date: Is mandatory for financial years beginning on or after 1 January 2018.

(b) New standards and interpretations applied for annual reporting period commencing 1 January 2018 and that have significant effect:

- **IFRS 9 "Financial Instruments":**

Nature of change: IFRS 9 addresses the classification, measurement, derecognition of financial assets and financial liabilities, and introduces new rules for hedge accounting and introduced a new impairment model.

Impact of adopting IFRS 9:

The Bank is required to adopt IFRS 9 starting 1 January 2018, for that, the Bank has prepared an assessment over the impact of the adoption with guidance of the Central Bank of Jordan instructions regarding the application of IFRS (9) finally as at 1 January 2018.

The following are the most important aspects of application:

A- Classification and measurement of financial assets

The Bank's management does not expect any material impact from applying this standard; as the Bank has early adopted the first phase of IFRS (9) from January 1st, 2011 based on the request Central Bank of Jordan and Jordan Securities Commission.

The Bank performed reclassifications between the categories of the financial instruments of this standard between amortized cost, fair value through profit or loss, fair value through comprehensive income, which is allowed for one time starting 1 January 2018 to achieve the requirements of the standard to ensure proper application for the standard implication. The reclassification is shown in section (F) of this disclosure.

B- Classification and measurement of financial liabilities:

IFRS (9) has retained the requirements of IAS (39) regarding the classification of financial liabilities. IAS 39 (revised) requires recognition of the differences in the assessment of financial liabilities classified as financial liabilities at fair value through profit or loss in the consolidated statement of profit or loss, whereas IFRS (9) requires:

- Recognition of differences in the assessment of financial liabilities classified as financial liabilities at fair value through statement of profit or loss as a result of changes in credit risk in the consolidated statement of comprehensive income.
- The remaining amount of fair value valuation differences is recognized in the consolidated statement of profit or loss.

C- Hedge accounting

When initially applying IFRS (9), the Bank choose to continue applying the hedge accounting requirements of IAS (39) instead of the requirements IFRS (9).

D- Impairment of financial assets

IFRS (9) replaced the 'incurred loss' model in IAS (39) with a forward-looking 'expected credit loss' model. Which requires the use of estimates and judgements to estimate economic factors. The model will be applied to all financial assets – debt instruments that are classified as amortized cost or at fair value through statement of comprehensive income or at fair value through profit or loss.

JORDAN KUWAIT BANK (PUBLIC LIMITED SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2018 (UNAUDITED)

Impairment losses were calculated in accordance with the requirements of IFRS (9) in accordance with the following rules:

- 12 month impairment loss: the expected impairment is calculated for the next 12 months from the date of the consolidated financial statements.
- Impairment losses for the lifetime of the instrument: the expected impairment of the life of the financial statement is calculated until the maturity date from the date of the consolidated financial statements.

The expected credit loss mechanism depends on the probability of default (PD). Which is calculated according to the credit risk and future economic factors, the loss in default (LGD), which depends on the value of the existing collateral, the exposure at default (EAD).

E- Disclosures

IFRS (9) requires detailed disclosures, particularly with regard to hedge accounting, credit risk, and expected credit losses. The Bank is working to provide all the necessary details for these disclosures to be presented in the subsequent consolidated financial statements after application.

F- Implementation

The Bank had reflected the effect of the standard implementation over the opening balances of retained earnings on January 1, 2018, provisions and non-controlling interests rather than restating the figures of the consolidated financial statements for the year ended December 31, 2017 and earlier.

The table below includes analysis of credit risk exposure for financial assets exposed to expected credit loss as of January 1, 2018:

Exposure to credit risk related to assets of the balance sheet	January 1, 2018					Net effect JD
	Stage 1 JD	Stage 2 JD	Stage 3 JD	Total JD	Deferred tax assets JD	
Deposits at banks and financial institutions	123,475	-	-	123,475	43,216	80,259
Financial assets at fair value through comprehensive income	424,904	-	1,543,952	1,968,856	689,100	1,279,756
Direct credit facilities - net	10,933,207	5,125,962	31,991,450	48,050,619	12,627,621	35,422,998
Financial assets at amortized cost	33,976	-	-	33,976	11,892	22,084
Other liabilities	2,192,001	290,278	4,414,113	6,896,392	2,413,737	4,482,655
Total	13,707,563	5,416,240	37,949,515	57,073,318	15,785,566	41,287,752

JORDAN KUWAIT BANK (PUBLIC LIMITED SHAREHOLDING COMPANY)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2018 (UNAUDITED)

The table below clarifies the amendments over opening balances as of 1 January 2018:

	Balance as of 31 December 2017 JD	Effect of implementation JD	Adjusted balance as of 1 January 2018 JD
<u>Assets</u>			
Direct credit facilities- - net	1,562,286,911	(48,050,619)	1,514,236,292
Financial assets at fair value through profit or loss	66,673,669	(66,673,669)	-
Financial assets at fair value through comprehensive income	29,240,711	82,663,669	111,904,380
Financial assets at fair value through amortized cost	395,100,921	(15,990,000)	379,110,921
Provision for financial assets at fair value through comprehensive income	-	(1,968,856)	(1,968,856)
Provision for deposits at banks and financial institutions	-	(123,475)	(123,475)
Provision for financial assets at amortized cost	-	(33,976)	(33,976)
Deferred tax asset	11,299,456	15,785,565	27,085,021
<u>Liabilities</u>			
Other liabilities – provision for indirect facilities	45,367,012	6,896,392	52,263,404
<u>Owner's Equity</u>			
General banking risk reserve	14,288,875	(14,288,875)	-
Retained earnings	99,275,774	(26,998,877)	72,276,897

(c) **New standards and interpretations applied for annual reporting period commencing 1 January 2018 and which are not yet adopted by the Bank:**

- **IFRS 16 "Leases"**

Nature of change: IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

Impact: The Standard will primarily affect the accounting of the Bank's operating leases. As at the reporting date, most of the Bank's operating leases are short-term and low-value leases. Therefore, the standard is not expected to have any financial impact on the Bank.

Mandatory application date: Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Company does not intend to adopt the standard before its effective date. The company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.3 Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank and controlled subsidiaries. Control exists when the Bank has the power to control the financial and operating policies of the subsidiaries in order to obtain benefits from their activities. All transactions, balances, revenue and expenses between the Bank and its subsidiaries are eliminated.
- The interim condensed financial statements of the subsidiaries relating to the same fiscal period of the Bank are prepared using the same accounting policies adopted by the Bank.
- Non-controlling interests represent the portion of the subsidiaries' equity not owned by the Bank.

The Bank owns the following subsidiaries as of 31 March 2018, and December 31 2017.

Company's Name	Paid-up Capital JD	Ownership of the Bank %	Nature of Operation	Location	Date of Acquisition
Ejarah for Finance Leasing Company	20,000,000	100	Finance Leasing	Amman	2011
Specialized Managerial Company for Investment and Financial Consultation	530,000	100	Issuance of Securities and other Financial Services	Amman	2016

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

(3) ACCOUNTING ESTIMATES

Preparation of the interim condensed consolidated financial statements and the application of the accounting policies require the Bank's management to perform assessments and assumptions that affect the amounts of financial assets and liabilities, fair value reserve and the disclosure of contingent liabilities. Moreover, these assessments and assumptions affect revenues, expenses, provisions, and changes in the fair value shown within the consolidated statement of comprehensive income. In particular, this requires the bank's management to issue significant judgments and assumptions to assess future cash flow amounts and their timing. Moreover, the mentioned assessments are necessarily based on assumptions and factors with varying degrees of consideration and uncertainty. In addition, actual results may differ from assessments due to changes resulting from the conditions and circumstance of those assessments in the future.

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

- A provision is set for lawsuits raised against the Bank and subsidiaries. This provision is subject to an adequate legal study prepared by the Bank and subsidiaries' legal advisors. Moreover, the study highlights potential risks that may be encountered in the future. Such legal assessments are reviewed frequently.
- Impairment loss for the properties seized by the Bank is taken after a sufficient and recent evaluation of the acquired properties has been conducted by approved surveyors, and impairment loss is reviewed periodically.
- Management periodically reassesses the economic useful lives of tangible and intangible assets for calculating annual depreciation and amortization based on the general status of these assets and the assessment of their useful economic lives expected in the future. Impairment loss is taken to the consolidated statement of income.
- Management frequently reviews the financial assets stated at cost to estimate any decline in their value. Impairment loss is taken to the interim condensed consolidated statement of income.
- Provision for income tax: The financial year is charged with its portion from the income tax expense according to the prevailing laws and regulations and International Financial Reporting Standards. Moreover, the necessary income tax provision is calculated and recorded.
- Fair value hierarchy: The Bank is required to determine and disclose the level in the fair value hierarchy into which the fair value measurements are categorized in their entirety, segregating fair value measurements in accordance with the levels defined in International Financial Reporting Standards. Differentiating between Level (2) and Level (3) fair value measurements, i.e., assessing whether inputs are observable and whether the unobservable inputs are significant, may require judgment and careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability. When evaluating the fair value of the financial asset or liability, the Bank uses market information (if available) and in the absence of the first level inputs, the Bank deals with the independent and qualified parties to prepare evaluation studies. Appropriate methods of assessment and inputs used to prepare the evaluation are reviewed by management.

Provisions for impairment of direct and indirect credit facilities

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

The Group computes the provision for impairment of financial assets according to the International Financial Reporting Standards (IFRSs) and compares the outcome to the instructions of the Central Bank of Jordan.

Inputs, assumptions and techniques used for ECL calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

- **Assessment of Significant Increase in Credit Risk**

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group's existing risk management processes.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

- **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio.

Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables. Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

Our base case scenario will be based on macroeconomic forecasts (e.g.: GDP, inflation, interest rate, price index). Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

- **Definition of default**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

- **Expected Life**

When measuring ECL, the Bank must consider the maximum contractual period over which the Bank is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Bank is exposed to credit risk and where the credit losses would not be mitigated by management actions.

4. Cash and Balances at Central Banks

- Mandatory cash reserve amounted to JD 96,336,410 as of March 31, 2018 (JD 94,233,506 as of December 31, 2017).
- Except for the statutory cash reserve, there are no restricted balances as of March 31, 2018 and December 31, 2017.
- There are no Certificates of Deposits as of March 31, 2018 and December 31, 2017.

5. Balances at Banks and Financial Institutions

- Non-Interest bearing balances at banks and financial institutions amounted to JD 52,611,052 as of March 31, 2018 (JD 45,098,151 as of December 31, 2017).
- Restricted balances amounted to JD 709,000 as of March 31, 2018 and (JD 2,558,072 as of December 31, 2017).
- Provision for impairment of cash at banks and financial institutions due to the adoption of IFRS (9) JD 132,374 as of March 31, 2018.

6. Deposits at Banks and Financial Institutions

- There are no deposits mature after one year as of March 31, 2018 and December 31, 2017.
- There are no deposits mature after six months to one year as of March 31, 2018 and December 31, 2017.
- There are no deposits mature within three to six months as of March 31, 2018 (JD 6,246,210 as of December 31, 2017).

7. Direct Credit Facilities - Net

The details of this item are as follows:

	March 31, 2018 JD	December 31, 2017 JD
Individuals (retail):		
Overdraft accounts	13,891,178	12,451,875
Loans and promissory notes*	125,730,043	128,561,331
Credit cards	10,929,024	10,976,355
	237,243,492	222,533,778
Real estate loans		
Companies:		
Large		
Overdraft accounts	194,448,771	223,112,571
Loans and promissory notes*	806,646,474	806,059,454
Small and Medium		
Overdraft accounts*	17,932,177	11,413,661
Loans and promissory notes*	84,255,741	94,088,879
	108,168,752	114,811,877
Government and public sector	1,599,245,652	1,624,009,781
Total	97,460,548	49,321,331
Less: Provision of Impairment loss in direct credit facilities	13,263,044	12,401,539
Interest in suspense	1,488,522,060	1,562,286,911
Net Direct Credit Facilities		

- * Net after deducting interest and commission received in advance of JD 216,509 as of March 31, 2018 (JD 227,653 as of December 31, 2017).

- Credit facilities within stage 3 amounted to JD 157,733,715 which is equivalent to (9.9%) of total direct credit facilities as of March 31, 2018 (against non-performing facilities that amounted to JD 89,714,830 which is equivalent to (5.5%) of total direct credit facilities as of December 31, 2017).
- Credit facilities within stage 3 net of interest and commissions in suspense amounted to JD 144,470,671 which is equivalent to (9.1%) of total direct credit facilities balance after deducting suspended interest as of March 31, 2018 (against JD 77,313,291 which is equivalent to (4.8%) of total direct credit facilities balance after deducting suspended interest as of December 31, 2017).
- Direct credit facilities granted to and guaranteed by the Government of Jordan amounted to JD 67,319,922 which is equivalent to (4.2%) of total direct credit facilities as of March 31, 2018 (against JD 67,116,547 which is equivalent to (4.1%) as of December 31, 2017).

Provision of Impairment Loss in Direct Credit Facilities

The following is the movement on the provision of impairment loss in direct credit facilities during the period / year:

	Companies					Total
	Individuals	Real Estate Loans	Large	Small and Medium	Government and Public Sector	
<u>For the three months Ended March 31, 2018</u>	JD	JD	JD	JD	JD	JD
Balance – beginning of the period	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331
Effect of adoption IFRS (9)	7,658,914	659,354	36,970,617	2,761,734	-	48,050,619
Balance – At the beginning of the period	13,935,915	4,560,473	74,742,629	4,132,933	-	97,371,950
Deducted from Income during the period	108,284	9,754	-	53,567	-	171,605
Surplus in provision of credit facilities	(69,231)	(3,753)	-	(10,023)	-	(83,007)
Balance – End of the Period	13,974,968	4,566,474	74,742,629	4,176,477	-	97,460,548
Total provisions - Stage 1	6,038,056	1,337,275	3,031,475	526,402	-	10,933,208
Total provisions - Stage 2	726,494	742,236	5,711,796	348,740	-	7,529,266
Total provisions - Stage 3	7,210,418	2,486,963	65,999,358	3,301,335	-	78,998,074
	13,974,968	4,566,474	74,742,629	4,176,477	-	97,460,548
<u>For the Year Ended December 31, 2017</u>						
Balance – beginning of the year	6,442,539	5,471,122	59,072,935	2,133,777	-	73,120,373
Deducted from Income during the year	1,939,660	327,702	24,603,487	71,090	-	26,941,939
Surplus in provision of credit facilities	(1,760,757)	(1,897,705)	(8,127,555)	(781,993)	-	(12,568,010)
Used from provision during the year (written-off)*	(344,441)	-	-	(51,675)	-	(396,116)
Non performing credit off-consolidated statement of financial positions**	-	-	(37,776,855)	-	-	(37,776,855)
Balance – End of the Year	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331
Total of watch list provisions	268,063	19,006	2,001,010	26,628	-	2,314,707
Total non-performing provisions	6,008,938	3,882,113	35,771,002	1,344,571	-	47,006,624
	6,277,001	3,901,119	37,772,012	1,371,199	-	49,321,331

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

* During the year 2017, an amount of JD 395,378 has been written off from direct credit facilities based on the Board of Directors' approval.

** During the year 2017, non-performing credit facilities of JD 41,629,586 were transferred to off-consolidated statement of financial position according to the Board of Directors' decision concerning that matter.

- The provisions no longer needed due to settlements or repayments of debts transferred against other debts amounted to JD 12,568,010 as of December 31, 2017.

Interest in Suspense

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

	Companies					
	Real Estate		Small and		Government and	
	Individuals	Loans	Large	Medium	Public Sector	Total
	JD	JD	JD	JD	JD	JD
<u>For the Three Months Ended March 31, 2018</u>						
Balance ~ beginning of the period	590,986	1,846,443	9,583,631	380,479	-	12,401,539
Add: Interest suspended during the period	134,169	54,513	891,203	7,387	-	1,087,272
Less: Interest reversed to income	108,578	16,916	88,460	5,403	-	219,357
Interest in suspense written-off	1,338	2,055	-	3,017	-	6,410
Balance - End of the Period	615,239	1,881,985	10,386,374	379,446	-	13,263,044
<u>For the Year Ended December 31, 2017</u>						
Balance ~ beginning of the year	643,062	1,819,453	11,537,660	414,911	-	14,415,086
Add: Interest suspended during the year	142,177	195,301	2,570,648	347,776	-	3,255,902
Less: Interest reversed to income	80,622	168,311	668,788	382,208	-	1,299,929
Interest in suspense written-off	113,631	-	3,158	-	-	116,789
Non performing credit off-consolidated statement of financial positions	-	-	3,852,731	-	-	3,852,731
Balance - End of the Year	590,986	1,846,443	9,583,631	380,479	-	12,401,539

Total suspended interest on non-performing credit facilities out of the system amounted to JD 9,356,296 as of March 31, 2018

(JD 17,495,663 as of December 31, 2017).

8. Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Quoted shares in active markets	-	6,127,310
Quoted bonds in active markets	-	54,488,359
Unquoted bonds in active markets	-	6,058,000
Total	-	66,673,669
Bonds Analysis:		
Fixed rate	-	57,021,450
Floating rate	-	3,524,909
Total	-	60,546,359

-The bank has reclassified the financial assets at fair value through profit or loss due to the adoption of IFRS (9) (Note 2-2).

9. Financial Assets at Fair Value through Comprehensive Income

The details of this item are as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Quoted shares in active markets	14,952,372	8,295,860
Unquoted shares in active markets	20,812,922	20,944,851
Financial bonds traded in active markets	69,245,354	-
Unquoted financial bonds in active markets	22,048,000	-
Total	127,058,647	29,240,711
Less: Provision for Impairment of Financial assets at fair value through comprehensive Income	2,028,040	-
Total	125,030,607	29,240,711
Bonds Analysis:		
Fixed rate	71,843,858	-
Floating rate	19,449,496	-
Total	91,293,354	-

- Cash dividends on the above investments amounted to JD 1,040,205 for the three months ended in March 31, 2018 (JD 581,140 for the three months ended March 31, 2017).

- The bank has reclassified some of the financial assets at fair value through profit and loss and financial assets at amortized cost to financial assets at fair value through comprehensive income due to the adoption of IFRS (9) (Note 2-2).

10. Financial Assets at Amortized Cost

The details of this item are as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Quoted Financial Assets:		
Companies' bonds and debentures	1,000,073	15,847,190
Total Quoted Financial Assets	1,000,073	15,847,190
Unquoted Financial Assets:		
Treasury bonds and bills	347,649,992	361,845,731
Companies' bonds and debentures	1,418,000	17,408,000
Total Unquoted Financial Assets	349,067,992	379,253,731
Total	350,068,065	395,100,921
Less: Provision for impairment of financial assets at amortized costs	32,822	-
Total	350,035,243	395,100,921
Bonds and Bills Analysis:		
Fixed rate	350,068,065	379,200,921
Floating rate	-	15,900,000
Total	350,068,065	395,100,921

-The bank has reclassified part of the financial instruments at amortized due to the adoption of IFRS (9) (Note 2-2)

11. Other Assets

The details of this item are as follows:

	March 31, 2018	December 31, 2017
	JD	JD
Accrued interest and revenue	17,893,998	14,976,084
Prepaid expenses	6,140,697	2,700,257
Assets seized by the Bank against due debts - net	149,358,530	151,099,594
Debtors *	952,220	663,495
Clearing checks	1,347,720	389,498
Others *	13,525,053	10,967,857
Total	189,218,218	180,796,785

* Other assets include balances relating to the subsidiary companies of JD 410,221 as of March 31, 2018 (JD 147,959 as of December 31, 2017).

- The Central Bank of Jordan's Instructions require that the Bank dispose of seized assets within a period not exceeding two years from the start date of seizure and to the central bank, in exceptional cases, extending this period for a maximum another sequential two years.

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

	For the Three Months Ended March 31, 2018			For the Year Ended December 31, 2017
	Seized Property	Other Seized Assets	Total	Total
	JD	JD	JD	JD
Balance - beginning of the period / year - net	149,644,118	1,455,476	151,099,594	136,494,967
Additions	175,064	-	175,064	28,608,940
Disposals	(1,166,128)	-	(1,166,128)	(7,078,656)
Provision as per CBJ Instructions *	(750,000)	-	(750,000)	(6,372,655)
Impairment reversal (loss)	-	-	-	(553,002)
Balance - End of the Period / Year	147,903,054	1,455,476	149,358,530	151,099,594

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

12. Income Tax

A. Income Tax Rates:

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

B. Tax status

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

Branches / Companies	Income Tax Return up to End of the Year	Final Settlement up to End of the Year	Payment to Income and Sales Tax Department	Years under Dispute
Jordan Branches	2016	2016	Accrued tax has been paid	None
Palestine Branches	2016	2016	Accrued tax has been paid	None
Cyprus Branch	2016	2016	Accrued tax has been paid	None
Ejarah for Finance Leasing	2016	2015	Accrued tax has been paid	None
United Financial Investments Company	2016	2014	Accrued tax has been paid	None
Specialized Managerial Company for Investments and Financial Services	2016	-	Accrued tax has been paid	None

- In the opinion of the Management and the Tax Consultant of the bank and subsidiaries the provision for Income tax is sufficient in the date of Interim consolidated financial statements.

13. Gain from Financial Assets at Fair Value through Profit or Loss

The details of this item are as follows:

For the Three Months Ended March 31, 2018

	Realized Gains	Unrealized Gains	Shares Dividends	Total
	JD	JD	JD	JD
Companies shares	-	-	-	-
Companies bonds	-	-	-	-
Total	-	-	-	-

-The bank performed a reclassification on part of the financial instruments at amortized due to the adoption of IFRS (9) (Note 2-2)

For the Three Months Ended March 31, 2017

	Realized (Losses)/ Gains	Unrealized Gains	Shares Dividends	Total
	JD	JD	JD	JD
Companies shares	(25,836)	58,855	115,200	148,219
Companies bonds	191,459	859,440	-	1,050,899
Total	165,623	918,295	115,200	1,199,118

14. Earnings Per Share for the Period Attributable to Bank's Shareholders

The details of this item are as follows:

	For the Three Months Ended March 31,	
	2018	2017
	JD	JD
Income for the period	10,209,711	8,654,800
	Share	Share
Income for the period from continuous operations	10,247,471	9,574,257
Net (Loss) for the period from discontinued operations	(37,760)	(919,457)
Weighted average number of shares	100,000,000	100,000,000
Earnings per share pertains to the Bank's Shareholders:	JD/Share	JD/Share
(Basic and Diluted)	0.102	0.087
Earning per share from income for the period from continuous operations	0.102	0.096
Earning per share from (loss) for the period from discontinued operations	(0.000)	(0.009)

15. Cash and Cash Equivalent

The details of this item are as follows:

	March 31,	
	2018	2017
	JD	JD
Balances at central banks due within three months	264,750,654	185,752,484
Add: Balances at banks and financial institutions due within three months	325,848,790	260,264,042
Less: Banks and financial institutions deposits due within three months	271,862,216	312,068,123
Less: Restricted balances	709,000	2,575,797
Total	318,028,228	131,372,606

16. Information on the Bank's Business Activities

1. Bank Activities Information

The Bank is organized, for managerial purposes, into four major sectors. These sectors are measured according to reports used by the Chief Executive Officer and key decision makers at the Bank. Moreover, the Bank owns three subsidiaries: the financial brokerage, finance leasing and consultation services sectors as of the consolidated financial statements date:

- Individual accounts: This item includes following up on individual customer's deposits, and granting them credit facilities, credit cards, and other services.
- Corporate accounts: This item includes following up on deposits, credit facilities, and other banking services related to corporate customers.
- Treasury: This item includes providing dealing services and managing the Bank's funds.
- Others: This industry includes the activities which do not meet the definition of the Bank's business activities mentioned above.
- Financial brokerage services: This item includes practicing most of the brokerage and financial consultation services.
- Finance leasing services: This item includes leasing services and real estate development projects.
- Consulting and Issuance Services: This item includes providing financial consultation and issuance management services.

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

	Total									
	For the Three Months Ended March 31,					For the Three Months Ended December 31,				
	Individuals	Corporations	Treasury	Brokerage	Leasing	Financial Consulting	Others	2018	2017	
	JD	JD	JD	JD	JD	JD	JD	JD	JD	
Gross income for the period	7,436,344	13,558,639	8,748,622	-	1,269,679	328,148	333,225	31,674,657	31,674,657	
Less: Provision of impairment loss in direct credit facilities	-	-	-	-	88,598	-	-	88,598	1,994,791	
Results of Business Sector	7,436,344	13,558,639	8,748,622	-	1,181,081	328,148	333,225	31,586,059	33,668,448	
Less: Expenditures not distributed over sectors	-	-	-	-	234,531	148,100	16,271,127	16,653,758	15,336,207	
Income before Income Tax	7,436,344	13,558,639	8,748,622	-	946,550	180,048	(15,937,902)	14,932,301	49,005,655	
Less: Income tax expense for the period	-	-	-	-	231,036	-	4,453,794	4,684,830	4,723,050	
Income for the period from continuous operations	7,436,344	13,558,639	8,748,622	-	715,514	180,048	(20,391,696)	10,247,471	53,728,705	
Net (loss) from non-continuous operations	-	-	-	(37,760)	-	-	-	(37,760)	919,457	
Net income for the period	7,436,344	13,558,639	8,748,622	(37,760)	715,514	180,048	(20,391,696)	10,209,711	52,809,248	
Other Information										
Capital Expenditures							796,097	796,097	736,405	
Depreciation and Amortization							(1,743,188)	(1,743,188)	(1,553,346)	
Sector's Assets	376,712,979	1,118,233,011	1,090,187,460	5,395,028	62,346,694	774,961	155,108,701	2,808,758,834	2,832,207,026	
Sector's Liabilities	1,165,506,427	797,896,770	361,102,845	1,059,686	30,847,709	73,897	16,408,216	2,372,895,550	2,363,795,704	

b. Information on the Geographical Allocation:

This sector represents the geographical distribution of the Bank's operations. The Bank performs its operations, which represent local operations, mainly in the Hashemite Kingdom of Jordan. Moreover, the Bank conducts international operations through its branches in Cyprus and Palestine.

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

	Total					
	Inside Kingdom			Outside Kingdom		
	For the Period Ended		For the Period Ended	For the Period Ended		For the Period Ended
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Gross income for the period	27,663,486	26,529,414	4,011,171	5,145,243	31,674,657	31,674,657
Capital Expenditures	796,097	736,405	-	-	796,097	736,405
	March 31,	December 31,	March 31,	December 31,	March 31,	December 31,
	2018	2017	2018	2017	2018	2017
	JD	JD	JD	JD	JD	JD
Total assets	2,298,504,649	2,183,897,966	510,075,063	479,330,466	2,808,579,711	2,663,228,432

17. Transactions with Related Parties

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

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

	Total					
	Affiliates	Board of Directors Members	Subsidiaries	Executive Managers	Others **	March 31, 2018
	JD	JD	JD	JD	JD	December 31, 2017
On- Condensed Consolidated Interim Statement of Financial Position Items:						
Direct credit facilities *	142	58,146	67,574	2,059,231	-	2,185,093
Banks and financial institutions balances	122,047,363	-	0	-	-	257,630,282
Deposits	193,312	47,012,542	2,067,881	2,320,349	795,009	52,369,113
Deposits at banks and financial institutions	190,495	-	-	-	-	190,495
Cash margins	-	2,500	114,000	-	5,600	122,100
Financial assets at fair value through profit or loss	-	-	-	-	-	2,398,124
Financial assets at fair value through comprehensive income	32,002,594	-	-	-	3,230,000	20,180,613
Financial assets at amortized cost	-	-	-	-	-	14,846,972
Assets held for sale	-	-	4,522,166	-	-	4,522,166
Liabilities directly related to assets held for sale	-	-	1,059,686	-	-	661,794
Off- Consolidated Statement of Financial Position Items:						
Letters of guarantee	5,000	29,300	601,720	-	56,000	972,020
Letters of credit	77,494	-	99,496	-	4,254,000	4,430,990
	Total					
	For the Period Ended March 31,					
	Affiliates	Board of Directors Members *	Subsidiaries	Executive Managers	Others **	2018
	JD	JD	JD	JD	JD	2017
Consolidated Statement of Income Items:						
Interest and commission income ***	286,967	144	1,812	6,063	-	294,986
Interest and commission expense ****	556,496	505,060	1,173	3,084	-	1,065,813
Management fees	226,171	-	-	-	-	226,171
Financial assets dividends	926,106	-	-	-	-	926,106

* Included in the direct credit facilities to the directors members is an amount of JD 207,932 representing credit facilities granted to the board of directors members of Ejarah Finance Lease Company (subsidiary company) as of March 31, 2018 (JD 28,171 as of December 31, 2017).

* Included in the direct credit facilities to the executive management and board of directors are an amount of JD 236,172 representing credit facilities granted to the board of directors for members of United Financial Investments Company (subsidiary company) as of March 31, 2018 (JD 28,696 as of December 31, 2016).

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

*** Interest income rate ranges from 4% to 9.5% .

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

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

- The Salaries of Executive management for the Bank and the subsidiary companies amounted to JD 660,779 for the three months ended 31 March 2018 (JD 798,512 for the three months ended 31 March 2017)

18. Commitments and Contingent Liabilities

Credit commitments and contingencies:

	March 31, 2018	December 31, 2017
	JD	JD
Letters of credit	77,768,125	65,101,415
Letters of acceptances	35,645,125	24,319,531
Letters of guarantee:		
Payments	86,442,742	122,557,181
Performance bonds	94,200,488	99,395,848
Other	69,250,408	29,883,311
Unutilized credit facilities ceilings	<u>196,093,512</u>	<u>159,542,008</u>
Total	<u>559,400,400</u>	<u>500,799,294</u>

19. Lawsuits against the Bank

The Bank is a defendant in lawsuits amounting to JD 7,680,583 as of March 31, 2018 and December 31, 2017.

In the opinion of the Bank's management and its legal advisor, no liabilities shall arise against the Bank exceeding the existing provision of JD 1,156,365 as of March 31, 2018 (JD 1,066,365 as of December 31, 2017).

As of March 31, 2018 and December 31, 2017, there were no lawsuits against the subsidiary companies.

20. Authorized and Paid-up capital and Proposed Dividends

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

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

21. Statutory and Voluntary Reserves

The bank did not deduct the statutory and voluntary reserves according to the Companies Law and the pro-cyclicality reserve according to Palestine Monetary Authority Instructions as this will be accounted for at the year end financial statements.

22. Fair Value Hierarchy

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

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

Financial Assets/Financial Liabilities	Fair Value		The Level of Fair Value	Evaluation Method and Inputs used	Important Intangible Inputs	Relation between the Fair Value and the Important Intangible Inputs
	8 March 31, 2017	7 December 31, 2016				
	JD	JD				
Financial Assets at Fair Value						
Financial Assets at Fair Value Through Profit or Loss						
Companies shares	-	6,127,310	Level 1	Stated rates in financial markets	N/A	N/A
Companies bonds	-	60,546,359	Level 1 and 2	Stated rates in financial markets and compare market price for similar financial statement	N/A	N/A
Total	-	66,673,669				
Financial Assets at Fair Value through Comprehensive Income						
Shares with available market price	14,952,372	8,295,860	Level 1	Stated rates in financial markets	N/A	N/A
Shares with no available market price	20,812,922	20,944,851	Level 2	compare market price for similar financial statement	N/A	N/A
Financial bonds traded in active markets	69,245,354	-	Level 1	Stated rates in financial markets	N/A	N/A
Financial bonds not traded in active markets	22,048,000	-	Level 2	compare market price for similar financial statement	N/A	N/A
Total	127,058,647	29,240,711				
Total Financial Assets at Fair Value	127,058,647	95,914,380				

There were no transfers between level 1 and level 2 during the period ended March 31, 2018.

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

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

	8 March 31, 2017		7 December 31, 2016		The Level of Fair Value
	Book value	Fair value	Book value	Fair value	
	JD	JD	JD	JD	
Financial Assets of Non-specified Fair Value					
Cash at Central Banks	264,750,654	264,761,682	172,531,777	172,546,455	Level 2
Balances at Banks and Financial Institutions	325,848,790	325,255,658	317,656,834	317,797,478	Level 2
Deposits at Banks and Financial Institutions	-	-	6,246,210	6,276,210	Level 2
Direct credit facilities	1,488,522,060	1,491,294,648	1,562,286,911	1,570,998,242	Level 2
Financial Assets at Amortized Cost	350,035,243	351,261,784	395,100,921	400,779,415	Level 1 and 2
Total Financial Assets of Non-specified Fair Value	2,429,156,747	2,432,573,772	2,453,822,653	2,468,397,800	
Financial Liabilities of Non-specified Fair Value					
Banks and Financial Institutions Deposits	271,862,216	272,321,184	306,217,195	307,780,894	Level 2
Customers' Deposits	1,824,607,714	1,824,661,289	1,808,308,934	1,815,456,440	Level 2
Cash Margin	97,693,178	97,699,638	96,179,696	96,691,439	Level 2
Borrowed Funds	81,333,986	81,569,430	80,137,973	81,024,528	Level 2
Total Financial Liabilities of Non-specified Fair Value	2,275,497,094	2,276,451,541	2,290,843,798	2,300,953,301	

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

22. Assets Held for Sale and discontinued operations

According to the Investments meeting committee dated 27 December 2017, management approved a plan to sell the majority of shares owned by the bank in the subsidiary United Financial Investments Company. The board of director approved the plan on 7 January 2018 in which the sale is expected to occur in the coming months. Based on the above facts IFRS 5 applies and control over the investee is lost.

	31 March	
	2018	2017
	JD	JD
Income (Loss) for the period from non-continuous operations		
Total Income	157,356	(2,199,310)
Total Expenses	223,341	213,028

(Loss) for the period before tax	(65,985)	(2,412,338)
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Deferred Tax / Income tax expense	9,269	(581,332)
Net (loss) income for the period	(75,194)	(1,831,005)
Parent share of (Loss) from subsidiaries	(37,760)	(919,457)

	31 March 2018		31 December 2017	
	Company's financial information		Company's financial information	
	JD	Parent Share (Bank)	JD	Parent Share (Bank)
Assets Held for Sale				
Cash on hand and at banks	1,954,484	981,463	1,579,379	793,101
Direct credit facilities-not	2,886,736	1,449,603	2,659,557	1,335,523
Financial assets at fair value through profit or loss	4,435,067	2,227,113	4,315,858	2,167,251
Financial assets at fair value through comprehensive income	1	1	41,673	20,927
Property and equipment - net	412,246	207,013	419,081	210,446
Intangible assets - net	630	316	791	397
Deferred tax assets	895,649	449,759	905,003	454,456
Other assets	159,833	79,760	105,137	52,794
TOTAL ASSETS	10,743,646	5,395,028	10,026,479	5,034,895
Less: Impairment on assets held for sale	-	(872,852)	-	(872,852)
Parent share of income from subsidiaries	10,743,646	4,522,166	10,026,479	4,162,033
Liabilities related to Assets Held for Sale				
Income Tax provision	61,002	30,633	61,146	30,705
Other liabilities	2,049,755	1,029,054	1,256,750	631,889
Total Liabilities	2,110,757	1,059,686	1,317,896	661,794
Shareholders equity directly related to assets held for sale	(35,805)	(17,829)	(35,805)	(17,829)