



INVESTBANK  
البنك الإستثماري

Date: 30 / 3 / 2017

No: 2506

Jordan Securities Commission

للإفصاح  
\* بمرور ٤٤٨  
\* السيد  
٣ / ٤

Subject: Financial Statements of INVESTBANK for the year 2016

Attached the Financial Statements of INVESTBANK for the year 2016, noting that these results are subject to Central Bank of Jordan approval.

  
Muntaser Dawwas

CEO



هيئة الأوراق المالية الدائرة الإدارية / الديوان	
٣٠ آذار ٢٠١٧	
الرقم التسلسل	١٨٠٤٧
الجهة المختصة	١/٤

**INVEST BANK**

**(PUBLIC SHAREHOLDING COMPANY)**

**AMMAN-JORDAN**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

**INVEST BANK**

**(PUBLIC SHAREHOLDING COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2016**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF INVEST BANK**

**Report on the Report on the Consolidated Financial Statements**

**Our opinion**

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

**What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

**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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence**

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



## Our audit approach

### Overview

Key Audit Matters	- Provision for impairment in direct credit facilities - Acquisition of a subsidiary
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

### 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 period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p>Provision for impairment in direct credit facilities</p> <p>As described in the accounting policies (2.6), (2.10) and note number (3) Critical Accounting Estimates And Judgments, the management calculates the provision for impairment in direct credit facilities according to the accounting policies described in note (2.6) (2.10) and in accordance with Central Bank of Jordan related instructions. The Management reviews the contracts individually or in group to assess whether there is objective evidence of impairment such as default in payments of customers. In case evidence exist the management assess the</p>	<p>We have performed the following procedures to assess the reasonableness of the Provision for impairment in direct credit facilities.</p> <ul style="list-style-type: none"> <li>• Understood the nature of credit facilities.</li> <li>• Assessed management's methodology in classifying loans and the method used in determining the recoverable amount from the mortgaged assets when sold and expected cash flow.</li> <li>• Tested sample of customers classified as non-performing customers to check the reasonableness of their classification</li> </ul>



impairment value based on the recoverable amount from the assets mortgaged to the Bank and in accordance with the International Financial Reporting Standards and Central Bank of Jordan Instructions.

Due to the importance of these estimates and judgments, It is considered as significant risk which might lead to material misstatement in the consolidated financial statements when available information and estimates are misused to determine the provision value.

As disclosed in Note (10) to the consolidated financial statements, management had recognised a provision for impairment in direct credit facilities with an amount of JD 23,314,696, while net direct credit facilities amounted to JD 538,630,285 which represents 56% of the group total assets as at 31 December 2016.

- Tested the information systems of the bank and the automatic classification of the non-performing loans.
- Assessed management's methodology in assessing the required provision as at 31 December 2016.
- Assessed the key assumptions used, based on our understanding of the group and the nature of the business.
- Tested sample of management estimates of the recoverable amounts from the sale of mortgaged assets.
- Tested select of relevant procedures and internal controls applied by the management.
- Re-calculated the provision for impairment in direct credit facilities for a sample of customers in accordance with the International Financial Reporting Standards and Central Bank of Jordan Instructions.
- Assess the adequacy of disclosures over the provision for impairment in direct credit facilities.

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#### Acquisition of a subsidiary

The bank acquired 93,275% of Jordan Trade Facilities company which owns 100% of Trade Facilities for Finance Leasing Company during the year 2016, through its subsidiary (Tamkeen Leasing Company), through a purchase of 15,390,385 shares with 1JD par value. The acquisition cost was JD 20,774,620 which resulted in a goodwill amounted to JD 1,430,598 disclosed under intangible assets. The acquisition process requires the management to use its professional judgement in determining the fair value of the net assets at the date of acquisition

We have performed the following procedures regarding the acquisition process of Jordan trade facilities company:

- Assessed the Bank ability to control the relevant financial and operating policies of Jordan Trade Facilities Company.
- Assessed the computation of fair value of the net assets at and goodwill at the date of acquisition, in addition to reviewing the specialist reports assigned by the bank for the acquisition process.
- Assessed the assumptions used in determining the value fair value.



and determine the goodwill value in accordance with International financial Reporting standards.

Due to the importance of these estimates it is considered a key audit matter

As disclosed in Note (2-24) (Intangible assets) The goodwill represent the positive difference between the cost of acquisition or purchase price of the associate or subsidiary and the company's net asset fair value at the date of acquisition. Impairment test for goodwill is performed at the date of each financial statement, and impairment is booked when there is objective evidence that the goodwill is impaired and the impairment loss is recorded in the income statement.

- Assessed the calculation of non-controlling interest in net income and net assets of Jordan Trade Facilities Company.
- Assessed the impairment test of the goodwill that was performed by the bank at year end.
- Assess the adequacy of disclosures over acquisition of a subsidiary.

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### **Other information**

The directors are responsible for the other information. The other information comprises all the other information included in the Bank's annual report for the year 2016 but does not include the consolidated financial statements and our auditor's report thereon. The other information not yet received to the date of this auditor's report, which is expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will 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 identified above 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



## **Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the 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 financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

The Bank maintains proper accounting records and the accompanying consolidated financial statements are in agreement therewith the financial date presented in the Board of Directors' report. We recommended that the General assembly of Shareholders approve these financial statements.

For and behalf of PricewaterhouseCoopers "Jordan" L.L.C.



Amman - Jordan  
2 February 2017

**INVEST BANK**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2016**

	Note	2016 JD	2015 JD
<b>Assets</b>			
Cash and balances at the Central Bank of Jordan	4	91,250,017	102,527,791
Balances at banks and financial institutions	5	73,902,498	45,854,292
Deposits at banks and financial institutions	6	5,500,000	5,000,000
Financial assets at fair value through statement of income	7	2,128,116	2,556,397
Direct credit facilities - net	10	538,630,285	454,704,268
Financial assets at fair value through other comprehensive income	8	24,437,914	20,581,461
Financial assets at amortized cost	9	120,143,870	119,079,954
Property and equipment-net	11	28,573,609	28,727,750
Intangible assets	12	3,003,463	1,955,925
Deferred tax assets	19	6,883,615	5,365,915
Other assets	13	55,123,285	59,066,138
<b>Total assets</b>		<u>949,576,672</u>	<u>845,419,891</u>
<b>Liabilities And Equity</b>			
<b>Liabilities</b>			
Banks and financial institutions deposits	14	2,432,998	9,018,275
Customers deposits	15	622,816,743	584,076,355
Cash margins	16	38,094,827	32,157,407
Borrowed funds	17	99,789,624	42,322,037
Sundry provisions	18	710,086	1,082,090
Income tax provision	19	6,501,454	6,208,287
Deferred tax liabilities	19	2,812,850	2,073,433
Other liabilities	20	12,074,876	13,835,700
<b>Total Liabilities</b>		<u>785,233,458</u>	<u>690,773,584</u>
<b>Equity</b>			
Authorized capital	21	100,000,000	100,000,000
Subscribed and paid-in capital	21	100,000,000	100,000,000
Statutory reserve	22	23,570,771	21,332,948
General banking risks reserve	22	5,311,284	4,603,049
Financial assets revaluation reserve	23	5,491,519	3,839,176
Retained earnings	24	27,663,922	23,984,252
<b>Total equity attributable to the shareholders of the bank</b>		162,037,496	153,759,425
<b>Non-controlling interest</b>	26	2,305,718	886,882
<b>Total equity</b>		<u>164,343,214</u>	<u>154,646,307</u>
<b>Total liabilities and equity</b>		<u>949,576,672</u>	<u>845,419,891</u>

The attached notes from 1 to 47 are an integral part of these consolidated financial statements

**INVEST BANK  
(PUBLIC SHAREHOLDING COMPANY)  
CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 JD	2015 JD
Interest income	27	52,218,799	48,508,829
Interest expense	28	(17,644,158)	(19,540,071)
<b>Net Interest Income</b>		<b>34,574,641</b>	<b>28,968,758</b>
Net commissions income	29	6,470,124	5,852,944
<b>Net Interest and Commissions Income</b>		<b>41,044,765</b>	<b>34,821,702</b>
Gain from foreign currency exchange	30	633,866	540,566
Gain from financial assets at fair value through statement of income	31	228,282	1,030,122
Cash dividends from financial assets at fair value through other comprehensive income	8	1,554,592	962,435
Other income	32	3,638,023	1,845,657
<b>Gross income</b>		<b>47,099,528</b>	<b>39,200,482</b>
Employees' expenses	33	(13,507,421)	(11,184,227)
Depreciation and amortization	11,12	(2,852,149)	(2,759,899)
Other expenses	34	(8,669,253)	(7,442,087)
Provision for impairments on seized assets and provisions for assets seized as per CBJ regulations	13	(1,009,763)	(241,112)
Provision for impairment in direct credit facilities	10	894,045	3,303,506
Recoveries from sundry provisions (Sundry provisions)	18	423,239	(271,819)
<b>Total expenses</b>		<b>(24,721,302)</b>	<b>(18,595,638)</b>
<b>Net income for the year before income tax</b>		<b>22,378,226</b>	<b>20,604,844</b>
Income tax expense	19	(6,770,967)	(6,295,018)
<b>Net income for the year</b>		<b>15,607,259</b>	<b>14,309,826</b>
<b>Attributable to:</b>			
Shareholders of the bank		15,297,799	14,254,168
Non-controlling interest	26	309,460	55,658
		<b>15,607,259</b>	<b>14,309,826</b>
Basic and diluted earnings per share from net income for the year attributable to shareholders of the banks	35	0.153	0.143

The attached notes from 1 to 47 are an integral part of these consolidated financial statements

**INVEST BANK  
(PUBLIC SHAREHOLDING COMPANY)  
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>2016</u> JD	<u>2015</u> JD
Net income for the year	15,607,259	14,309,826
<b>Other comprehensive income items:</b>		
Net change in financial assets revaluation reserve –Net of tax loss on sale of financial assets through other comprehensive income	1,026,194	1,043,637
	<u>(45,922)</u>	<u>(1,166)</u>
<b>Total other comprehensive income for the year</b>	<u>980,272</u>	<u>1,042,471</u>
<b>Total comprehensive income</b>	<u>16,587,531</u>	<u>15,352,297</u>
<b>Total other comprehensive income attributable to :</b>		
Shareholders of the bank	16,278,071	15,296,639
Non-controlling interest	<u>309,460</u>	<u>55,658</u>
	<u>16,587,531</u>	<u>15,352,297</u>

**The attached notes from 1 to 47 are an integral part of these consolidated financial statements**

**INVEST BANK  
(PUBLIC SHAREHOLDING COMPANY)  
CONSOLIDATED STATEMENT OF CHANGES IN OWNER'S EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Reserves							
	Paid in capital JD	Statutory JD	General banking risks JD	financial assets revaluation reserve-net JD	Retained earnings JD	Total shareholders' equity attributable to the bank's shareholder JD	Non-controlling interest JD	Total JD
<b>2016</b>								
<b>As of 1 January</b>	100,000,000	21,332,948	4,603,049	3,839,176	23,984,252	153,759,425	886,882	154,646,307
Net income for the year	-	-	-	-	15,297,799	15,297,799	309,460	15,607,259
Net change in financial assets revaluation reserve-net of tax	-	-	-	1,026,194	-	1,026,194	-	1,026,194
Loss from sale of financial assets at fair value through other comprehensive income	-	-	-	626,149	(672,071)	(45,922)	-	(45,922)
<b>Total other comprehensive income</b>	-	-	-	1,652,343	14,625,728	16,278,071	309,460	16,587,531
Transferred to reserves	-	2,237,823	708,235	-	(2,946,058)	-	-	-
Dividends (Note 25)	-	-	-	-	(8,000,000)	(8,000,000)	-	(8,000,000)
Investment in subsidiary	-	-	-	-	-	-	1,109,376	1,109,376
<b>As of 31 December 2016</b>	100,000,000	23,570,771	5,311,284	5,491,519	27,663,922	162,037,496	2,305,718	164,343,214
<b>2015</b>								
<b>As of 1 January</b>	100,000,000	19,272,464	4,374,922	2,762,658	19,052,742	145,462,786	831,224	146,294,010
Net income for the year	-	-	-	-	14,254,168	14,254,168	55,658	14,309,826
Net change in financial assets revaluation reserve -net of tax	-	-	-	1,043,637	-	1,043,637	-	1,043,637
Loss from sale of financial assets at fair value through other comprehensive income	-	-	-	32,881	(34,047)	(1,166)	-	(1,166)
<b>Total other comprehensive income</b>	-	-	-	1,076,518	14,220,121	15,296,639	55,658	15,352,297
Transferred to reserves	-	2,060,484	228,127	-	(2,288,611)	-	-	-
Dividends	-	-	-	-	(7,000,000)	(7,000,000)	-	(7,000,000)
<b>As of 31 December 2015</b>	100,000,000	21,332,948	4,603,049	3,839,176	23,984,252	153,759,425	886,882	154,646,307

- Included in retained earnings an amount of JD 6,883,615 as of 31 December 2016 restricted by the instructions of Central Bank of Jordan for deferred tax assets against JD 5,365,915 as of 31 December 2015.
- Included in the retained earnings a restricted amount of JD 1,039,200 as of 31 December 2016 (and 31 December 2015: JD 2,539,200) based on Central Bank of Jordan request, for the remaining balance of fraudulent transactions.
- Included in the retained earnings a restricted amount of JD 415,074 as of 31 December 2016 against JD 426,919 as of 31 December 2015 which represents the effect of the early adoption of IFRS (9). Such amount is restricted and cannot be utilized unless realised through actual sale as instructed by Jordan Securities Commission.
- There is no revaluation difference of financial assets at fair value through income statement in the retained earnings as of 31 December 2016 and 31 December 2015.
- The use of general banking risks reserve is restricted and requires prior approval from the Central Bank of Jordan.
- The use of fair value of financial assets reserve-net is restricted and requires prior approval from Central bank of Jordan.

**The attached notes from 1 to 47 are an integral part of these consolidated financial statements**

**INVEST BANK**  
**(PUBLIC SHAREHOLDING COMPANY)**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

	Note	2016 JD	2015 JD
<b>Operating activities</b>			
Income for the year before income tax		22,378,226	20,604,844
<b>Adjustments:</b>			
Depreciation and amortisation	11,12	2,852,149	2,759,899
Provision for impairment in direct credit facilities	10	(894,045)	(3,303,506)
Provision for employees end-of-service	18	13,466	7,307
Provision for lawsuits against the bank	18	163,295	264,512
Provision for impairment in seized assets as per CBJ regulations	13	1,081,426	280,415
Recovered from sundry provision	18	(600,000)	-
Recovered from provision of impairments in seized assets by the bank	13	(71,663)	(39,303)
Gain on sale of assets sized by the bank	32	(283,784)	(43,051)
Gain from sale of property and equipment		(12,111)	(17,469)
Unrealised Gain or loss from financial assets at fair value through statement of income	31	40,118	90,022
Dividends received from financial assets at fair value through other comprehensive income	8	(1,554,592)	(962,435)
Net interest expenses (income)		656,453	(115,317)
Effect of exchange rate fluctuations on cash and cash equivalents	30	(37,260)	(41,809)
		<u>23,731,678</u>	<u>19,484,109</u>
<b>Change in assets and liabilities</b>			
Deposits at banks and financial institutions (maturing after more than 3 months)	6	(500,000)	(3,621,153)
Deposits at banks and financial institutions ( Restricted Balances )	6	2,383,268	(2,885)
Financial assets at fair value through statement of income	7	517,525	2,490,395
Direct credit facilities	10	(48,385,195)	4,665,141
Other assets	13	5,068,107	(12,903,151)
Customers' deposits	15	38,740,388	22,685,533
Cash margins	16	5,937,420	(2,598,509)
Other liabilities	20	(3,296,083)	3,007,422
<b>Net cash flows from operating activities before Income tax paid and paid provisions</b>		<u>24,197,108</u>	<u>33,206,902</u>
Income tax and sundry provisions paid	18,19	(7,725,703)	(4,205,874)
<b>Net cash flows generated from operating activities</b>		<u>16,471,405</u>	<u>29,001,028</u>
<b>Investing activities</b>			
Purchase of Financial assets at fair value through other comprehensive income		(2,846,389)	(6,748,498)
Selling of Financial assets at fair value through other comprehensive income		534,487	149,832
Dividends received from financial assets at fair value through statement of Income	8	1,554,592	962,435
Purchase of Financial assets at amortized cost		(72,698,279)	(45,212,272)
Maturity of financial assets at amortized cost		71,634,363	68,314,452
Purchase of property and equipment and project under progress	11	(1,808,339)	(9,700,000)
Proceeds from sale of property and equipment		19,000	17,606
Purchase of intangible assets	12	(262,306)	(479,232)
Net cash used in investment in subsidiaries		(20,774,618)	-
Net cash generated from investment in subsidiaries		375,979	-
<b>Net cash flows (used in) generated from investing activities</b>		<u>(24,271,510)</u>	<u>7,304,323</u>
<b>Financing activities</b>			
Dividends paid	25	(8,000,000)	(7,000,000)
Borrowed funds	17	41,501,822	13,832,521
<b>Net cash flows generated from financing activities</b>		<u>33,501,822</u>	<u>6,832,521</u>
Effect of exchange rate fluctuations on cash and cash equivalents	30	37,260	41,809
<b>Net increase in cash and cash equivalents</b>		<u>25,738,977</u>	<u>43,179,681</u>
Cash and cash equivalents at 1 January		136,980,540	93,800,859
<b>Cash and cash equivalents at 31 December</b>	36	<u>162,719,517</u>	<u>136,980,540</u>

The attached notes from 1 to 47 are an integral part of these consolidated financial statements

**INVEST BANK (PUBLIC SHAREHOLDING COMPANY)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**31 DECEMBER 2016**

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**(1) GENERAL INFORMATION**

Invest Bank (the "Bank") was established as a Jordanian public shareholding company under registration No. (173) dated 12 August 1982 in accordance with the Companies Law No. (12) for the year 1964 with a paid in capital of JD 6 million distributed over 6 million shares with a par value of JD 1 per share. The Bank's capital was increased several times to become JD 77,500,000 / JD 1 per share as of 31 December 2010. Furthermore, during 2011, the Bank's capital was increased to JD 85,250,000 / JD 1 per share. Finally, the Bank's capital was increased by JD 14,750,000 on 10 April 2012. Accordingly, the Bank's authorized and paid in capital became JD 100 Millions / JD 1 per share.

The Bank's Head Office is located in Amman, Abd Alhameed Sharaf Street, Shmesani, Tel: 5001500, P.O Box 950601, Amman – 11195 Jordan.

The Bank provides banking and related financial services through its Head Office and Twelve branches in the Hashemite Kingdom of Jordan, and its subsidiaries.

Invest Bank is a public shareholding company listed in Amman Stock Exchange.

These consolidated financial statements have been approved by the Board of Directors in meeting conducted on 1 February 2017 and are subject to Central Bank of Jordan and General Shareholder Assembly approval.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2.1 Basis of preparation**

The accompanying consolidated financial statements for the year ended 31 December 2016 of the Bank and its subsidiaries are prepared in accordance with the standards issued by the International Accounting Standards Board (IASB), interpretations issued by the Committee of the IASB, prevailing local laws and regulations of the Central Bank of Jordan.

The consolidated financial statements are prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income that have been measured at fair value at the date of these consolidated financial statements. Hedged assets and liabilities are also stated at fair value.

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

The accounting policies applied in preparing the financial statement for the year ended 31 December 2016 are consistent with those used in the year ended 31 December 2015 except for the information presented in note (2-2).

## 2.2 Changes in accounting policies and disclosures

The principal accounting policies applied in the preparation of these consolidated financial statements for the year ended 31 December 2015 except for the implementations of new standards and amendments on existing standards as mentioned below:

### (a) New standards, amendments and interpretations adopted by the Bank

**The Bank has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2016, which does not have a material effect on the banks financial statements:**

- Amendment to (IAS 16) Property, plant and equipment and (IAS 38) Intangible assets which represents the acceptable methods for depreciation and amortization.
- Amendments to IAS (34) "Financial statements" regarding the disclosures in the financial statements.
- Amendment to IAS (19) "Employees beneficiary plan" that require the use of discounted currency rate to meet the obligations from employee beneficiary plan.
- Amendment to IAS (27) "Separate Financial Statement" restore the option of using equity method for entities in separate financial statement to account for investments in subsidiaries, associates and joint ventures.
- Amendment to IAS (1) "Presentation of Financial Statements" clarify the requirement for financial statement presentation and accounting policies disclosures.
- Amendment to IFRS (7) "Financial instruments: Disclosers" that require disclosure of information about significant financial instruments after sale and disclose the clearance between financial assets and financial liabilities and was not mention in IAS (34)
- Amendment to IFRS (11) "Joint agreement" which provide a specific method for calculating the acquisition in a joint agreement.
- Amendment to IFRS (10) "Consolidated financial statements" and IAS (28) "Investment in associates the elimination for conciliated financial statements for Investment companies and subsidiaries.
- Annual improvements to IFRS 2012-2014 Cycle.

### (b) New standards and interpretations not yet adopted

- IFRS 9 Financial Instruments: IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The IASB made further changes to the classification and measurement rules and also introduced a new impairment model. The new financial instruments standard must be applied for financial years commencing on or after 1 January 2018.
- IFRS 15 Revenue from Contracts with Customer: 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 – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. The standard should be adopted mandatory for financial years commencing on or after 1 January 2018.
- IFRS (16) "Leases" must be applied for financial years commencing on 1 January 2019, that will replace IAS (17) "Leases" which sets out the principles for the recognition, measurement, presentation and disclosure of leases.



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- IAS (12) "Income Tax" must be applied for financial years commencing on 1 January 2017. Addresses the measurements and recognition for differed tax assets.
- IAS (7) "Statement of cash flow" must be applied for financial years commencing on 1 January 2017. Addresses the additional disclosure regarding the change in liabilities resulting from financing activities.

### 2.3 Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank and the wholly owned subsidiary companies controlled by it. Control exists when the Bank has the ability to control the financial and operating policies of the subsidiary companies in order to achieve financial benefits out of their operations. All inter-company transactions, balances, revenues and expenses between the Bank and its subsidiaries are eliminated, as well as between the subsidiaries themselves.

The consolidated financial statements contains the banks financial statement and its following subsidiaries:

Company's Name	Paid-in capital JD	Bank's ownership	Nature of operations	Location	Date of acquisition
Al- Mawared for Financial Brokerage Company	10,000,000	100%	Financial securities brokerage	Amman	2006
Tamkeen Leasing Company	5,000,000	90%	Lease financing	Amman	2006
Al- Istethmari Latemweel Selselat Al Imdad Company	3,000,000	94%	Management and operation of bonded stores	Amman	2010
Jordanian Company for Factoring *	30,000	100%	Factoring receivables	Amman	2011
Jordan Trade Facilities **	16,500,000	94.7%	Providing loans and facilities	Amman	2016
Trade Facilities for finance leasing **	2,000,000	94.7%	Lease financing	Amman	2016

\* Jordan Company for Factoring was established on 21 December 2011 and has not commenced its operations as of the date of these consolidated financial statements.

\*\* The bank acquired 93,275% of Jordan Trade Facilities company which owns 100% of Trade Facilities for Finance Leasing Company during the year 2016, through its subsidiary (Tamkeen Leasing Company), , through a purchase of 15,390,385 shares with 1JD par value. The acquisition cost was JD 20,774,620 and the fair value of net assets amounted to JD 19,344,022 at the date of acquisition, which raised a goodwill amounted to JD 1,430,598 disclosed under intangible assets.

The financial statements of the subsidiaries are prepared using the same accounting policies adopted by the Bank. Changes are made to the accounting policies of subsidiaries, when necessary, to align them with accounting policies adopted by the Bank

The bank direct and indirect investments in trade facilities for finance leasing is 94,667%as of 31 December 2016.

The financial statements of the subsidiaries are prepared using the same accounting policies adopted by the Bank. Changes are made to the accounting policies of subsidiaries, when necessary, to align them with accounting policies adopted by the Bank.

Subsidiaries are investees controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the Bank obtains control of the investee and ceases when the Bank loses control of the investee.

Non-controlling interest represents the portion of net profit or loss and net assets not owned directly or indirectly by the Bank in its subsidiaries and are presented in the consolidated statement of income and within equity in the consolidated statement of financial position separately from the equity attributable to the shareholders of the Bank.

#### **2.4 Segment Information**

A business segment is a group of assets or operations jointly engaged in providing an individual product or service and a group of related products or services subject to risks and returns different from those of other business segments. It is measured according to the reports used by the General Manager or other key decision makers at the Bank.

A geographical segment is a distinguishable component of an entity engaged in providing products or services within a particular economic environment subject to risks and returns different from those of components operating in other economic environments.

#### **2.5 Financial Assets at Fair Value through Statement of income**

It is the financial assets held by the Bank for the purpose of trading in the near future and achieving gains from the fluctuations in market prices in the short term or trading margins.

Financial assets at fair value through profit or loss are initially stated at fair value at acquisition date (purchase costs are recorded at the consolidated statement of income upon acquisition) and subsequently measured at fair value. Moreover, changes in fair value are recorded in the consolidated statement of income including the change in fair value resulting from translation of non-monetary assets stated at foreign currency. Gains or losses resulting from the sale of these financial assets are taken to the consolidated statement of income.

Dividends and interests from these financial assets are recorded in the consolidated statement of income.

It is not allowed to reclassify any financial assets to / from this category except for the cases specified in International Financial Reporting Standards.

It is not allowed to classify any financial assets that do not have prices in active markets and active dealings in this item.

## **2.6 Direct Credit Facilities**

Represents financial assets which have fixed or agreed payments which the bank submitted in the first place and these financial assets do not have quoted prices in active markets.

Direct credit facilities are recorded at amortized cost after deducting the provision for the direct credit facilities and interest and commissions in suspense.

A provision for the impairment in direct credit facilities is recognized when it is obvious that the financial assets of the Bank cannot be recovered, there is an objective evidence of the existence of an event negatively affecting the future cash flows of the direct credit facilities, and the impairment amount can be estimated. The provision is taken to the consolidated statement of income. Interest and commissions on non-performing credit facilities are suspended in accordance with the regulations of the Central Bank of Jordan.

Impaired credit facilities, for which specific provisions have been taken, are written off by charging the provision after all efforts have been made to recover the assets. Any surplus in the provisions is taken to the consolidated statement of income, while debt recoveries are taken to income.

## **2.7 Financial Assets at Fair Value through Other Comprehensive Income**

Those financial assets represent the investments in equity instruments held for long term.

Financial assets at fair value through other comprehensive income are initially stated at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in the consolidated statement of other comprehensive income and within owner's equity, including the changes in fair value resulting from translation of non-monetary assets stated at foreign currency. Gain or loss from the sale of these investments should be recognized in the consolidated statement of comprehensive income and within owner's equity, and the balance of the evaluation reserve for these assets should be transferred directly to the retained earnings not to the consolidated statement of income.

No impairment testing is required for those assets.

Dividends are recorded in the consolidated statement of income.

## **2.8 Financial Assets at Amortized Cost**

Financial assets at amortized cost are the financial assets which the Bank's management intends according to its business model to hold for the purpose of collecting the contractual cash flows which comprise the contractual cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets are recorded at cost upon purchase plus acquisition expenses. Moreover, the issue premium \ discount is amortized using the effective interest rate method, and recorded to interest account. Provisions associated with the decline in value of these investments leading to the inability to recover the investment or parts thereof are deducted. Any impairment is registered in the consolidated statement of income and should be presented subsequently at amortized cost less any impairment losses.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

It is not allowed to reclassify any financial assets from / to this category except for certain cases specified at the International Financial Reporting Standards (and in the case of selling those assets before its maturity date, the results should be recorded in a separate account in the consolidated statement of income, disclosures should be made in accordance to the requirements of International Financial Reporting Standards).

## **2.9 Fair Value**

Fair value represents the closing market price (Acquisition of assets/ Sale of liabilities) of financial assets and derivatives on the date of the consolidated financial statements. In case the declared market prices do not exist, active trading of some financial assets and derivatives is not available, or the market is inactive, fair value is estimated by one of several methods including the following:

- Comparison with the fair value of another financial asset with similar terms and conditions.
- Analysis of the estimated future cash flows and discounted cash flows at current rates applicable for items with similar terms and risk characteristics.

Evaluation of long term assets and liabilities that bears no interest in accordance to discounted cash flows using effective interest rate, premiums and discounted are amortized within interest revenue or expense in the consolidated statement of income.

The evaluation methods aim to provide a fair value reflecting the expectations of the market, and take into consideration market factors, risks and expected benefits, at the time of evaluation of the financial instruments. In case the fair value of an investment cannot be measured reliably, it is stated at cost less any impairment.

## **2.10 Impairment in the Value of Financial Assets**

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

Impairment is determined as follows:

Impairment in financial assets recorded at amortized cost represents the difference between the book value and the present value of the expected cash flows discounted at the original interest rate.

The impairment in value is recorded in the consolidated statement of income. Any surplus in the following period resulting from previous impairment in the value of debt instruments is taken to the consolidated statement of income and any impairment in the value of equity instruments is taken to the consolidated statement of other comprehensive income.

## 2.11 Property and Equipment

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

	%
Buildings	2
Fixtures, equipment and furniture	10- 25
Vehicles	15- 20
Computers	20
Decorations	25

When the carrying values of property and equipment exceed their recoverable values, assets are written down to the recoverable value, and impairment losses are recorded in the consolidated statement of income.

The useful lives of property and equipment are reviewed at the end of each year. In case the expected useful life is different from what was determined before, the change in estimate is recorded in the following years, being a change in estimate.

Property and equipment are derecognized when disposed of or when there is no expected future benefit from their use or disposal.

## 2.12 Provisions

Provisions are recognized when the Bank has an obligation on the date of the consolidated statement of financial position as a result of past events, it is probable to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

## 2.13 Provision for Employees End-of-Service Indemnities

The employees' end-of-service indemnities provision is calculated at a rate of one month per service year for contracted employees more than 60 years old.

The required provision for end-of-service indemnities for the year is recorded in the consolidated statement of income while payments to departing employees are deducted from the provision amount.

## 2.14 Cost of Issuing or Purchasing Bank Shares

Any costs that result from purchasing or issuing bank shares are charged to retained earnings (net of the tax effect relating to those costs, if any). If the underwriting process or purchase process was incomplete, these costs are charged to the consolidated statement of income.

## **2.15 Income Tax**

Income tax expenses represent accrued taxes and deferred taxes.

Income tax expenses are accounted for on the basis of taxable income. Moreover, taxable income differs from income declared in the consolidated financial statements because the latter includes nontaxable revenue or tax expenses not deductible in the current year but deductible in subsequent years, accumulated losses acceptable by the tax authorities, and items not accepted for tax purposes or subject to tax.

Taxes are calculated on the basis of the tax rates prescribed according to the prevailing laws, regulations, and instructions in Jordan.

Deferred taxes are taxes expected to be paid or recovered as a result of temporary timing differences between the value of the assets and liabilities in the consolidated financial statements and the value of the taxable amount. Deferred tax is calculated on the basis of the liability method in the consolidated statement of financial position according to the rates expected to be applied when the tax liability is settled or deferred tax assets are recognized.

Deferred tax assets are reviewed as of the date of the consolidated financial statements, and reduced in case it is expected that no benefit will arise therefrom, partially or totally.

## **2.16 Accounts Managed on Behalf of Customers**

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

## **2.17 Offsetting**

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

## **2.18 Realization of Income and Recognition of Expenses**

Interest income is realized and expenses are recognized using the effective interest rate method, except for interest and commission on non-performing loans which are not recognized as revenue but recorded in the interest and commission in suspense account until they are received in cash.

Expenses are recognized on the accrual basis.

Commission is recorded as revenue when the related services are provided.

Dividends are recorded when realized (decided upon by the General Assembly of Shareholders).

## 2.19 Recognition of Financial Assets

Financial assets are recognized on the trading date which is the date the Bank commits itself to purchase or sell the financial assets.

## 2.20 Financial Derivatives and Hedge Accounting

For hedge accounting purposes, financial derivatives are stated at fair value. Hedges are classified as follows:

- **Fair value hedge:**

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

When the conditions of effective fair value hedge are met, the resulting gain or loss from re-measuring the fair value hedge is recognized in the consolidated statement of income.

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

- **Cash flow hedge:**

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

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

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

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

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

## 2.21 Financial Derivatives for Trading

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

## 2.22 Repurchase and Resale Agreements

Assets sold with a simultaneous commitment to repurchase them at a future date continue to be recognized in the consolidated financial statements as a result of the Bank's continuous control over these assets and as the related risks and benefits are transferred to the Bank upon occurrence. They also continue to be measured in accordance with the adopted accounting policies. Amounts received against these contracts are recorded within liabilities under borrowed funds. The difference between the sale price and the repurchase price is recognized as an interest expense amortized over the contract period using the effective interest rate method.

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

## 2.23 Assets Seized by the Bank

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

Provision is provided against sized assets with more than four years aging according to central bank of Jordan regulation

## 2.24 Intangible Assets

### a. Goodwill

The goodwill represent the positive difference between the cost of acquisition or purchase price of the associate or subsidiary and the company's net asset fair value at the date of acquisition.

The goodwill resulting from investment in subsidiary is disclosed in a separate note as intangible asset, as for goodwill resulting from investment in associate it's disclosed as part of investment account and it gets impaired over the period, when its value goes down.



Impairment test for goodwill is performed at the date of each financial statement, which is the result of a decrease in cash flow generated by goodwill recoverable value at the date of the financial compared to the cost of goodwill recorded in the books, in such cases the goodwill impairment amount is disclosed in the Income statement.

**b. Other intangible assets**

Intangible assets purchased in an acquisition are stated at fair value at the date of acquisition. Intangible assets purchased other than through acquisition are recorded at cost.

Intangible assets are to be classified on the basis of either definite or indefinite useful life. Intangible assets with definite useful economic lives are amortized over their useful lives and recorded as an expense in the consolidated statement of income. Intangible assets with indefinite lives are reviewed for impairment as of the consolidated financial statements date, and impairment loss is treated in the consolidated statement of income as an expense for the period.

No capitalization of internally generated intangible assets resulting from the Bank's operations is made. They are rather recorded as an expense in the consolidated statement of income for the period.

Any indications of impairment in the value of intangible assets as of the consolidated financial statements date are reviewed. Furthermore, the estimated useful lives of the impaired intangible assets are reassessed, and any adjustment is made in the subsequent period.

Software and computer programs are amortized over their estimated useful economic lives at a rate of 20% annually.

**2.25 Foreign Currency**

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 consolidated statement of financial position date and declared by the Central Bank of Jordan.

Non-monetary assets and liabilities denominated in foreign currencies and recorded at fair value are translated on the date when their fair value is determined.

Gains or losses resulting from foreign currency translation are recorded in the consolidated statement of income.

Translation differences on non-monetary assets and liabilities denominated in foreign currencies are recorded as part of the change in fair value.

## 2.26 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances with the Central Bank of Jordan and balances with banks and financial institutions maturing within three months from purchase date, less balances due to banks and financial institutions maturing within three months and restricted funds.

### (3) ACCOUNTING ESTIMATES

Preparation of the 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 other 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 said 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 the changes resulting from the conditions and circumstances of those assessments in the future.

A provision is set against the lawsuits raised against the Bank. This provision is subject to an adequate legal study prepared by the Bank's legal advisors. Moreover, the study highlights potential risks that the Bank may encounter in the future. Such legal assessments are reviewed periodically.

A provision for performing and non-performing loans is taken on the bases and estimates approved by the Bank's management in conformity with International Financial Reporting Standards (IFRS). The outcome of these bases and estimates is compared against the adequacy of the provisions as per the Central Bank of Jordan's instructions. The strictest outcome that conforms to International Financial Reporting Standards is used for determining the provision.

Impairment loss is booked after a sufficient and recent evaluation of the assets seized by the Bank has been conducted by approved surveyors. The impairment loss is reviewed periodically.

Management periodically reassesses the economic useful lives of tangible and intangible assets for the purpose of calculating annual depreciation and amortization based on the general condition of these assets and the assessment of their useful economic lives expected in the future. Impairment loss (if any) 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 (if any) is taken to the consolidated statement of income as an expense for the year.

Management estimates the impairment in fair value when the market value reaches a certain limit indicative of the amount of impairment loss, which doesn't conflict with the International Financial Reporting Standards and the instructions of the Regulatory authorities.

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The Bank determines and discloses 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 IFRS. 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 a careful analysis of the inputs used to measure fair value, including consideration of factors specific to the asset or liability.

The management believes that the estimates adopted in the preparation of the consolidated financial statements are reasonable.

**(4) CASH AND BALANCES WITH THE CENTRAL BANK OF JORDAN**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
Cash on hand	10,754,130	8,945,798
<b>Balances with central banks</b>		
Current and demand accounts	6,152,449	728,924
Term and notice deposits	-	22,000,000
Statutory cash reserve *	43,643,438	39,553,069
Deposit certificate	30,700,000	31,300,000
<b>Total</b>	<u>91,250,017</u>	<u>102,527,791</u>

- Except for the statutory cash reserve, there are no restricted balances as of 31 December 2016 and 2015.
- There are no balances matured in a period exceeding three months as of 31 December 2016 and 2015.

**(5) BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS**

This item consists of the following:

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	31 December		31 December		31 December	
	2016 JD	2015 JD	2016 JD	2015 JD	2016 JD	2015 JD
Current accounts and demand account	57,219	758	28,879,984	20,407,181	28,937,203	20,407,939
Deposit maturing within three months	29,641,362	18,000,000	15,323,933	7,446,353	44,965,295	25,446,353
<b>Total</b>	<u>29,698,581</u>	<u>18,000,758</u>	<u>44,203,917</u>	<u>27,853,534</u>	<u>73,902,498</u>	<u>45,854,292</u>

- Non-interest bearing balances at banks and financial institutions amounted to JD 29,012,436 as of 31 December 2016 against JD 20,464,391 as of 31 December 2015.
- There is no restricted balances as of 31 December 2016 against JD 2,383,268 as of 31 December 2015.

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**(6) DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS**

	Local Banks and Financial Institutions		Foreign Banks and Financial Institutions		Total	
	31 December		31 December		31 December	
	2016	2015	2016	2015	2016	2015
	JD	JD	JD	JD	JD	JD
Deposits	5,500,000	5,000,000	-	-	5,500,000	5,000,000
Total	5,500,000	5,000,000	-	-	5,500,000	5,000,000

There are no restricted deposits as of 31 December 2016 and 2015.

Deposits balances maturing within a period exceeding three months amounted to JD 5,500,000 as of 31 December 2016 against JD 5,000,000 as of 31 December 2015.

**(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
Companies shares	2,089,000	2,517,281
Investment funds	39,116	39,116
<b>Total</b>	<b>2,128,116</b>	<b>2,556,397</b>

**(8) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
Quoted shares	21,851,633	18,302,235
Unquoted shares *	2,586,281	2,279,226
<b>Total</b>	<b>24,437,914</b>	<b>20,581,461</b>

\* The fair value of the unquoted shares has been valued using the net book value method which is considered the best valuation method for such investments.

- Realized losses on the sale of shares at fair value through other comprehensive income amounted to JD 672,071 for the year ended 31 December 2016 against JD 34,047 for the year ended 31 December 2015, which was directly recorded to retained earnings in owner's equity.
- Cash dividends on financial assets amounted to JD 1,554,592 for the year ended 31 December 2016 against JD 962,435 for the year ended 31 December 2015.

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**(9) FINANCIAL ASSETS AT AMORTIZED COSTS**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
<b>Quoted financial assets:</b>		
Governmental bonds	83,129,767	82,075,105
Governmental bonds guaranteed by the government	-	6,359,996
Corporate loans (Companies bonds and debentures)	5,278,208	19,292,378
<b>Total</b>	<u>88,407,975</u>	<u>107,727,479</u>
<b>Unquoted financial assets:</b>		
Governmental bonds	16,942,111	-
Companies bonds and debentures	14,793,784	11,352,475
<b>Total</b>	<u>31,735,895</u>	<u>11,352,475</u>
<b>Total financial assets at amortized cost</b>	<u>120,143,870</u>	<u>119,079,954</u>
<b>Bonds and bills analysis:</b>		
Analysis bonds and treasury bills		
Fixed rate	98,119,954	112,054,944
Floating rate	22,023,916	7,025,010
	<u>120,143,870</u>	<u>119,079,954</u>

**(10) DIRECT CREDIT FACILITIES-NET**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
<b>Individuals (retail):</b>		
Overdraft	12,439,777	13,215,433
Loans and discounted bills *	94,808,191	48,718,650
Credit Cards	15,908,806	10,114,294
<b>Real estate loans</b>	124,713,597	117,991,221
<b>Companies</b>		
<b>Corporate:</b>		
Overdraft	79,883,162	72,711,544
Loans and discounted bills *	220,305,556	206,238,290
<b>Medium and small entities</b>		
Overdraft	7,878,533	7,658,985
Loans and discounted bills *	12,315,395	8,415,254
<b>Government and public sector</b>	24,203	-
<b>Total</b>	<u>568,277,220</u>	<u>485,063,671</u>
Less: Provision for impairment in direct credit facilities	23,314,696	19,277,846
Less: Interest in suspense	6,332,239	11,081,557
<b>Net Direct Credit Facilities</b>	<u>538,630,285</u>	<u>454,704,268</u>

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\*Net after deducting interest and commissions received in advance of JD 18,908,609 as of 31 December 2016 against JD 6,813,231 as of 31 December 2015.

Non-performing credit facilities amounted to JD 38,509,592 which is equivalent to 6.8% of total direct credit facilities as of 31 December 2016 against JD 34,240,982, which is equivalent to (7.1%) of total credit facilities as of 31 December 2015.

Non-performing credit facilities excluding interest and commissions in suspense amounted to JD 32,183,664 which is equivalent to 5.7% of total direct credit facilities after excluding interest in suspense as of 31 December 2016 against JD 23,565,933 which is equivalent to (4.97%) of total credit facilities after excluding interest in suspense as of 31 December 2015.

Direct credit facilities granted to / guaranteed by Jordan Government as of 31 December 2016 JD 24,203 against JD Zero as of 31 December 2015.

Part of the collaterals of the due instalments and finance lease contract related to Jordan Tarde Facilities Company with an amount of JD 16,937,500 (Cheques and promissory notes) as of 31 December 2016 were deposited as collaterals against the loans and overdraft of the company.

**- Provision for Impairment in Direct Credit Facilities:**

The movement on the provision for impairment in direct credit facilities was as follows:

	Individuals JD	Real estate loans JD	Companies		Total JD
			Corporate JD	Medium and Small JD	
<b>2016</b>					
<b>Balance at 1 January</b>	4,416,993	1,220,209	9,867,535	3,773,109	19,277,846
Balances generated from investment in subsidiaries	4,529,392	477,005	-	135,258	5,141,655
Provision (surplus) Charge for the year	146,580	(678,137)	213,660	(576,148)	(894,045)
Used during the year (written-off)*	(199,601)	-	-	(11,159)	(210,760)
<b>Balance at year end</b>	<u>8,893,364</u>	<u>1,019,077</u>	<u>10,081,195</u>	<u>3,321,060</u>	<u>23,314,696</u>
<b>2015</b>					
<b>Balance at 1 January</b>	4,972,953	6,775,559	12,016,642	5,449,261	29,214,415
(surplus) provision Charge for the year	487,461	(5,537,618)	1,639,243	107,408	(3,303,506)
Used during the year (written-off)*	(1,043,421)	(17,732)	(3,788,350)	(1,783,560)	(6,633,063)
<b>Balance at year end</b>	<u>4,416,993</u>	<u>1,220,209</u>	<u>9,867,535</u>	<u>3,773,109</u>	<u>19,277,846</u>

Non-performing credit facilities provision amounted to JD 23,052,493 as of 31 December 2016 against JD 18,379,294 as of 31 December 2015 in addition the watch list provision amounted to JD 262,203 as of 31 December 2016 against JD 898,552 as of 31 December 2015.

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The provisions no longer needed due to settlements or repayments of debts and transferred against other debts amounted to JD 8,043,963 as of 31 December 2016 against JD 9,514,119 as of 31 December 2015.

The provision for impaired credit facilities representing watch list and non-performing credit facilities are calculated based on the individual customer and not the portfolio except for the amount 880,327 JD has been calculated on the bases of the portfolio

**- Interest in Suspense:**

The movement on the interest in suspense is as follows:

	Individuals JD	Real estate loans JD	Companies		Total JD
			Corporate JD	Medium and Small JD	
<b>2016</b>					
<b>Balance at 1 January</b>	2,000,226	1,661,116	6,181,862	1,238,353	11,081,557
Interest in suspense for the year	394,319	92,289	767,187	297,911	1,551,706
Interest transferred to revenue	(31,313)	(925,392)	(3,827,503)	(371,834)	(5,156,042)
Interest in suspense written-off *	<u>(652,797)</u>	<u>(201,579)</u>	<u>(286,658)</u>	<u>(3,948)</u>	<u>(1,144,982)</u>
<b>Balance at year end</b>	<u>1,710,435</u>	<u>626,434</u>	<u>2,834,888</u>	<u>1,160,482</u>	<u>6,332,239</u>
<b>2015</b>					
<b>Balance at 1 January</b>	1,752,822	3,040,787	6,045,746	1,449,551	12,288,906
Interest in suspense for the year	484,627	257,817	2,368,682	355,802	3,466,928
Interest reversed to income	(25,562)	(1,597,560)	(170,061)	(20,013)	(1,813,196)
Interest in suspense written-off *	<u>(211,661)</u>	<u>(39,928)</u>	<u>(2,062,505)</u>	<u>(546,987)</u>	<u>(2,861,081)</u>
<b>Balance at year end</b>	<u>2,000,226</u>	<u>1,661,116</u>	<u>6,181,862</u>	<u>1,238,353</u>	<u>11,081,557</u>

\* According to the decision taken by board of directors of the bank and the senior management of Al-Mawared (Subsidiary company), non performing credit facilities with their related interest in suspense have been written off amounted to of JD 1,355,742 during the year ended 31 December 2016 against JD 9,494,144 for the year 2015.

- Net credit facilities are distributed according to economic sector taking into consideration that all loans granted inside Jordan as follows:

	31 December 2016 JD	31 December 2015 JD
Financial	49,861,015	38,521,169
Industrial and mining	73,456,037	71,549,850
Trading	126,729,392	116,701,788
Real estates	43,384,757	26,576,652
Constructions	32,375,034	43,319,841
Agricultural	1,355,415	1,219,313
Tourism restaurants and public	64,868,188	60,640,319
Shares	16,024,110	20,694,165
Government and public sector	24,203	-
Individuals/others	<u>160,199,069</u>	<u>105,840,574</u>
<b>Total</b>	<u>568,277,220</u>	<u>485,063,671</u>

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**(11) PROPERTY AND PLANT – NET**

This item consists of the following:

	Land*	Buildings*	Equipment, fixtures and furniture	Vehicles	Computers	Total
	JD	JD	JD	JD	JD	JD
<b>2016</b>						
<b>Cost</b>						
Balance at 1 January	9,341,886	14,360,096	11,294,518	321,879	2,107,264	37,425,643
Balances generated from investment in subsidiaries	-	502,050	200,475	84,500	103,248	890,273
Additions	-		800,403	86,336	170,952	1,057,691
Disposals	-	-	(81,270)	(45,730)	(25,930)	(152,930)
Transfers	-	-	654,433	-	11,398	665,831
<b>Balance at 31 December</b>	<u>9,341,886</u>	<u>14,862,146</u>	<u>12,868,559</u>	<u>446,985</u>	<u>2,366,932</u>	<u>39,886,508</u>
<b>Accumulated depreciation</b>						
Balance at 1 January	-	1,223,505	6,697,733	164,000	1,402,008	9,487,246
Balances generated from investment in subsidiaries	-	392,621	131,485	29,710	80,526	634,342
Additions	-	314,097	1,571,335	51,827	262,192	2,199,451
Disposals	-	-	(81,253)	(38,865)	(25,929)	(146,047)
<b>Balance at 31 December</b>	<u>-</u>	<u>1,930,223</u>	<u>8,319,300</u>	<u>206,672</u>	<u>1,718,797</u>	<u>12,174,992</u>
Net book value of fixed assets as of 31 December	<u>9,341,886</u>	<u>12,931,923</u>	<u>4,549,259</u>	<u>240,313</u>	<u>648,135</u>	<u>27,711,516</u>
Advanced payments on purchase property and equipment and projects under construction **	-	738,571	123,522	-	-	862,093
<b>Net property and equipment</b>	<u>9,341,886</u>	<u>13,670,494</u>	<u>4,672,781</u>	<u>240,313</u>	<u>648,135</u>	<u>28,573,609</u>



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	Land*	Buildings*	Equipment, fixtures and furniture	Vehicles	Computers	Total
	JD	JD	JD	JD	JD	JD
<b>2015</b>						
<b>Cost</b>						
Balance at 1 January	6,993,749	10,326,486	9,078,799	317,129	1,573,880	28,290,043
Additions	2,348,137	4,033,610	1,883,757	132,500	533,384	8,931,388
Disposals	-	-	(3,615)	(127,750)	-	(131,365)
Transfers	-	-	335,577	-	-	335,577
<b>Balance at 31 December</b>	<b>9,341,886</b>	<b>14,360,096</b>	<b>11,294,518</b>	<b>321,879</b>	<b>2,107,264</b>	<b>37,425,643</b>
<b>Accumulated depreciation</b>						
Balance at 1 January	-	961,599	5,265,562	257,688	1,094,095	7,578,944
Additions	-	261,906	1,435,650	34,061	307,913	2,039,530
Disposals	-	-	(3,479)	(127,749)	-	(131,228)
<b>Balance at 31 December</b>	<b>-</b>	<b>1,223,505</b>	<b>6,697,733</b>	<b>164,000</b>	<b>1,402,008</b>	<b>9,487,246</b>
Net book value of fixed assets as of 31 December	<u>9,341,886</u>	<u>13,136,591</u>	<u>4,596,785</u>	<u>157,879</u>	<u>705,256</u>	<u>27,938,397</u>
Advanced payments on purchase property and equipment and projects under construction **	-	-	777,955	-	11,398	789,353
<b>Net property and equipment</b>	<b>9,341,886</b>	<b>13,136,591</b>	<b>5,374,740</b>	<b>157,879</b>	<b>716,654</b>	<b>28,727,750</b>

- Property, plant and equipment include fully depreciated items amounting to JD 5,813,101 as of 31 December 2016 against JD 4,048,529 as of 31 December 2015.

\* This item represents down payments on the purchase of furniture, fixtures and equipment for the purposes of the bank's new branch in Dabouq and Taj Mall.

\*\* This item contains pledge lands and buildings by JD 6,222,084 to the interest of specialized finance lease co. against capital lease for subsidiary which amounted to JD 6,381,747 as of 31 December 2015.

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**(12) INTANGIBLE ASSETS**

This item consists of the following:

	2016			2015	
	Down payments for acquiring programs	Computer Systems and Software	Goodwill**	Total	Intangible assets
	JD	JD		JD	JD
Balance at beginning of the year	60,899	1,895,026	-	1,955,925	2,197,062
Balances generated from investment in subsidiaries	-	7,380	-	7,380	-
Additions*	35,688	226,570	1,430,598	1,692,856	479,232
Less: Amortization for the year	-	652,698		652,698	720,369
Transfers	(60,899)	60,899	-	-	-
<b>Balance at year end</b>	<b>35,688</b>	<b>1,537,177</b>	<b>1,430,598</b>	<b>3,003,463</b>	<b>1,955,925</b>

\* Additions represent the amounts paid to acquire and improve the banking systems and programs.

\*\* The bank acquired 93.275% of Jordan Trade facilities Co. during the year 2016, through its subsidiary (Tamkeen Leasing Company), which owns 100% of Trade Facilities for Finance Leasing Company), as the bank purchased 15,390,385 shares with 1JD stated value. The acquisition cost JD 20,774,620 and the net assets fair value JD 19,344,022 on the date of acquisition that raised a goodwill amounted to JD 1,430,598.

An impairment test has been performed for goodwill on 31 December 2016, in which the Goodwill was not impaired

**(13) OTHER ASSETS**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
Accrued interest and revenue	1,596,917	1,594,056
Prepaid expenses *	3,151,092	3,085,649
Assets seized by the Bank **	43,096,352	47,413,603
Refundable deposits	436,480	1,598,727
Post-dated Cheques	134,747	111,007
Balances related to fraudulent transactions - Net ***	1,039,200	2,539,200
Purchase acceptances	3,463,986	2,369,878
Others	2,204,511	354,018
	<b>55,123,285</b>	<b>59,066,138</b>

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- \* Prepaid expenses include JD 1,8 million which represent the rent of the new branch for the bank in Abdoun Area for 18 years that are paid in advance.
- \*\* The Central Bank of Jordan's instructions require disposal of assets seized by the bank during a maximum period of two years from the date of foreclosure and the Central Bank of Jordan can extend that period for a maximum of another two consecutive years. The balance is presented net of related impairment provision for the amount of JD 424,689 as of 31 December 2016 against to JD 496,352 for the year 2015, and provision for assets seized for more than four years according to the instructions of Central Bank of Jordan for the amounts of JD 1,361,841 at 31 December 2016 against JD 280,415 as of 31 December 2015.

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

	31 December			31 December
	Seized Assets	Other Seized Assets *	JD Total	2015 JD Total
Balance at beginning of the year	46,699,578	714,025	47,413,603	36,512,088
Balances generated from investment in subsidiaries	902,069	-	902,069	
Additions	2,889,852	-	2,889,852	13,521,995
Disposals	(7,099,409)	-	(7,099,409)	(2,379,368)
(Provision) Amount reversed from impairment of assets seized by the Bank	71,663	-	71,663	39,303
Provision for assets seized according to the instructions of Central Bank of Jordan	(1,081,426)	-	(1,081,426)	(280,415)
Balance at year end	42,382,327	714,025	43,096,352	47,413,603

- \* This item represent fair value of sized stocks against matured facilities amounted to JD 683,800 in addition to JD 30,225 represents sized tools as of 31 December 2016 and 31 December 2015.
- \*\* This item represent provision against sized assets for matured facilities and bank sized it for more than four years and the provision against seized assets for more than two years and less than four years according to the instructions of Central Bank of Jordan.
- \*\*\* This item includes net balance related to the fraudulent transactions after deducting the related provision as shown below:

	31 December 2016 JD	31 December 2015 JD
Balance related to fraudulent transactions	12,974,700	12,974,700
Provision related to this balance	(10,435,500)	(10,435,500)
Proceeds from insurance company	(1,500,000)	-
<b>Net balance related to fraudulent transactions</b>	<b>1,039,200</b>	<b>2,539,200</b>

The Bank was imposed to embezzlement transaction in the balances at banks and financial institutions accounts which led to a loss of approximately JD 12.9 million. This primarily relates to the possibility of collusion between some of the bank's employees. All the necessary legal procedures were taken by the bank's management and a provision for an amount of JD 10.4 million was booked for the transaction as of 31 December 2016 and 31 December 2015 after netting the amounts expected to be recovered and

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the repossessed assets, and deducting proceeds from the insurance company with an amount of JD1.5 million. The case is still pending at the General Attorney.

**(14) BANKS AND FINANCIAL INSTITUTIONS DEPOSITS**

This item consists of the following:

	31 December 2016			31 December 2015		
	Inside Jordan	Outside Jordan	Total	Inside Jordan	Outside Jordan	Total
	JD	JD	JD	JD	JD	JD
Current accounts	35,517	2,365,638	2,401,155	52,788	2,906,804	2,959,592
Time and notice Deposits*	31,843	-	31,843	31,683	6,027,000	6,058,683
<b>Total</b>	<b>67,360</b>	<b>2,365,638</b>	<b>2,432,998</b>	<b>84,471</b>	<b>8,933,804</b>	<b>9,018,275</b>

\* This amount does not include any amount maturing within a period exceeding three months as of December 2016 and 2015.

**(15) CUSTOMERS DEPOSITS**

This item consists of the following:

	Individuals (Retail)	Corporate	Small and medium entities	Government and Public sector	Total
	JD	JD	JD	JD	JD
<b>2016</b>					
Current and demand accounts	62,273,422	50,732,701	15,755,634	1,210,301	129,972,058
Saving deposits	25,962,399	524,055	286,619	1,877	26,774,950
Time and notice deposits	248,498,356	162,691,700	9,087,447	45,614,982	465,892,485
Deposits certificates	177,250	-	-	-	177,250
	<u>336,911,427</u>	<u>213,948,456</u>	<u>25,129,700</u>	<u>46,827,160</u>	<u>622,816,743</u>
<b>2015</b>					
Current and demand accounts	55,347,040	45,256,828	15,624,040	2,478,343	118,706,251
Saving deposits	18,333,829	481,562	734,388	1,877	19,551,656
Time and notice deposits	215,229,166	141,559,455	8,837,069	79,894,872	445,520,562
Deposits certificates	297,886	-	-	-	297,886
	<u>289,207,921</u>	<u>187,297,845</u>	<u>25,195,497</u>	<u>82,375,092</u>	<u>584,076,355</u>

- Government and Public sector deposits amounted to JD 46,827,160 which is equivalent to 7.5% of total customer's deposits as of 31 December 2016 against JD 83,375,092 which is equivalent to (14.1%) of total customer's deposits as of 31 December 2015.

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- Non-interest bearing deposits amounted to JD 153,426,582 which is equivalent to 24.6% of total customers deposits as of 31 December 2016 against JD 141,471,878, which is equivalent to (24.2%) of total customers deposits as of 31 December 2015.
- Restricted deposits amounted to JD 8,808,286 which is equivalent to 1.4% of total customer's deposits as of 31 December 2016 against JD 13,483,960, which is equivalent to (2.3%) as of 31 December 2015.
- Dormant deposits amounted to JD 5,382,574 as of 31 December 2016 against JD 5,364,853 as of 31 December 2015.

**(16) CASH MARGIN**

This item consists of the following:

	<u>31 December</u> 2016 JD	<u>31 December</u> 2015 JD
Cash margins on direct credit facilities	26,700,506	22,827,705
Cash margins on indirect credit facilities	11,388,571	9,323,952
Other margins	<u>5,750</u>	<u>5,750</u>
	<u><u>38,094,827</u></u>	<u><u>32,157,407</u></u>

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**(17) BORROWED FUNDS**

	Amount		Number of installments		Frequency of installments	Guarantees	Loan interest rate
	JD	Total	Remaining	JD			
<b>31 December 2016</b>							
Borrowed loans from banks/ Local institution					Monthly, Quarterly, Semi-Annually and on maturity date	Mortgage guarantee/ Tools /equipment guarantee and bills	JD
	99,789,624	978	715				4.3% to 8.25%
<b>Total</b>	<u>99,789,624</u>						
<b>31 December 2015</b>							
Borrowed loans from banks/ Local institution					Monthly, Quarterly, Semi-Annually and on maturity date	Mortgage guarantee/ Tools and equipment guarantee	4.5% to 7.75%
	42,322,037	185	143				
<b>Total</b>	<u>42,322,037</u>						

- Borrowed funds represents credit facilities from local banks amounted to JD 72,289,624 and inform of overdraft accounts and revolving loans granted to the subsidiary companies (Al Mawared for Financial Brokerage, Tamkeen Leasing Company and Al-Istithmari Le Tamweel Selseilat Al Imdad) against the guarantee of the subsidiaries' net worth.

- Borrowed funds also contains credit facilities granted from Jordan Mortgage refinancing company amounted to JD27,500,000, and bank refinance an housing loans for interest rate of 7.5%.

- Fixed interest loans amounted to JD 78,789,624 as of 31 December 2015 and 2016 and variable interest loans amounted 21,000,000 as of 31 December 2016 against fixed interest loans amounted 42,322,037 and there is no loans flucing interest rates as of 31 December 2015.

- Part of the collaterals of the due instalments and finance lease contract related to Jordan Tarde Facilities Company with an amount of JD 16,937,500 (Cheques and promissory notes) as of 31 December 2016 were deposited as collaterals against the loans and overdraft of the company.

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**(18) SUNDRY PROVISIONS**

This item consists of the following:

	Balance at beginning of the year	Investments in subsidiaries	Additions	Used During the year	reversed to revenue	Balance at year end
	JD	JD		JD	JD	JD
<b>31 December 2016</b>						
Provision for employees end-of service indemnity	19,627	-	13,466	-	-	33,093
Provision for lawsuits against the Bank (Note 46)	1,062,463	22,956	215,613	608,094	52,318	640,620
Others	-	636,373	-	-	600,000	36,373
	<u>1,082,090</u>	<u>659,329</u>	<u>229,079</u>	<u>608,094</u>	<u>652,318</u>	<u>710,086</u>
<b>31 December 2015</b>						
Provision for employees end-of service indemnity	12,320	-	7,307	-	-	19,627
Provision for lawsuits against the Bank (Note 46)	906,781	-	264,512	108,830	-	1,062,463
Others	5,000	-	-	5,000	-	-
	<u>924,101</u>	<u>-</u>	<u>271,819</u>	<u>113,830</u>	<u>-</u>	<u>1,082,090</u>

**(19) INCOME TAX**

**A. Provision for income tax**

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

	31 December 2016 JD	31 December 2015 JD
Balance at the beginning of the year	6,208,287	3,467,908
Balances generated from investment in subsidiaries	278,912	
Total income tax paid	(7,117,609)	(4,092,044)
Prior year's income tax	143,763	-
Income tax for the year	<u>6,988,101</u>	<u>6,832,423</u>
<b>Balance at year end</b>	<u>6,501,454</u>	<u>6,208,287</u>

Income tax provision for the year ended 31 December 2016 and 2015 was calculated according to applicable laws, regulations and International financial reporting standards.

**Income tax expense for the year consists of the following:**

Income tax on profit for the year	6,988,101	6,832,423
Prior year's income tax	163,372	-
Deferred tax assets	(1,229,276)	(805,868)
Amortization of deferred tax assets	855,082	660,769
Deferred tax liabilities	-	27,157
Amortization of deferred tax liabilities	<u>(6,312)</u>	<u>(419,463)</u>
<b>Balance at year end</b>	<u>6,770,967</u>	<u>6,295,018</u>

The legal income tax rate in Jordan for the Bank is 35% and for the subsidiaries is 24%.

**Tax status of the Bank**

The bank has reached to a final settlement with the Income and Sales Tax Department up to the end of the year 2013 and Income and sales tax department accepted year 2014 tax returns without any amendments.

The bank provided its tax declaration for the year 2015 on the period specified legally and Sales Tax Department did not revise record until the date of preparation of these financial statements.

As per the opinion of the company' management and its tax advisor, the tax liabilities exceeding the booked provision as of 31 December 2016.

**Tax status of Al Mawared for Financial Brokerage Company (Subsidiary Company)**

The company has reached to a final settlement with the income and sales tax department for the period since inception on 5 June 2006 till the end of the year 2011. Moreover, Income and sales tax department accepted years 2012, 2013 and 2014 tax returns without any amendments.

As per the opinion of the company' management and its tax consultant, the company will not have any tax liabilities exceeding the booked provision as of 31 December 2016.

**Tax status of Tamkeen Leasing Company (Subsidiary Company)**

The company has not submitted its tax return for the period since inception on 31 October 2006 to 31 December 2007 and for the years 2008 and 2009.

The company has reached to a final settlement with the income and sales tax department for the years 2010, 2011, 2012,2013 and 2014.

Income and sales tax department accepted year 2014 tax returns without any amendments.

As per the opinion of the company's management and its tax consultant, the company will not have any tax liabilities exceeding the booked provision as of 31 December 2016.



**Tax status of Al Istethmari Letamweel Selselat Al Imdad Company (Subsidiary Company)**

The company has reached to a final settlement with the income and sales tax department until the end of the year 2010.

Income and sales tax department accepted years 2011, 2012, 2013 and 2014 tax returns without any amendments.

As per the opinion of the company's management and its tax consultant, the company will not have any tax liabilities exceeding the booked provision as of 31 December 2016.

**Tax status of Jordan Trade Facilities Company (Subsidiary Company)**

The Income and Sales Tax department had finalized its review and issued a final clearance up to the year ended 31 December 2011. The Company raised a law suit against the income tax department in the related courts claiming back amount of JD419,000 for 2009 and still in the case in court. Also the Company raised a legal case in the specialized court for the tax imposed in 2010. The appeal decision has been declared on 19 December 2016 approving the amount recorded in the corporate income tax return noting that the amount is paid in full. The company will appeal this decision in the court. The management and the tax advisor except tax surplus amount of JD 140,000.

The Company submitted corporate income tax return for the years 2012, 2013 and 2014 on the due dates. The Income and Sales Tax department had finalized its review and issued a final clearance for 2012 and 2013. For 2014 it was accepted under the sample basis.

The Company submitted corporate income tax return for the year ended 31 December 2015 on the due date. The Income and Sales Tax department did not review the income tax for the year 2015 up to date of issuing the financial statements.

The Subsidiary "Jordan Facilities for Finance Lease L.L.C" submitted corporate income tax return up to the year ended 31 December 2014 and it was accepted under the sample basis.

As per the opinion of the company' management and its tax consultant, the company and its subsidiary will not have any tax liabilities exceeding the booked provision as of 31 December 2016.

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**B. Deferred tax assets/Liabilities**

This item consists of the following:

	2016				31 December 2016	31 December 2015
	Beginning balance JD	Investment in subsidiaries	Amounts released JD	Additions JD	Ending balance JD	Deferred tax JD
<b>Accounts included</b>						
<b>A- Deferred Tax Assets</b>						
Provision for employees end-of-service indemnities	19,627	-	-	13,466	33,093	6,869
Provision for lawsuits against the Bank	1,062,463	-	637,456	215,613	640,620	371,862
Provision for lawsuits/ Jordan Trade Facilities Company	-	22,956	22,956	-	-	-
Provision for debts Watch list	864,328	-	853,046	130,559	141,841	302,515
Provision for impairment on portfolio	-	-	-	880,327	880,327	308,114
Provision for impairment on seized assets by the Bank	496,352	-	71,663	-	424,689	173,723
Provision for buildings owned more than four years	280,415	-	-	1,081,426	1,361,841	98,145
Provision for impairment in financial brokerage	1,791,763	-	-	-	1,791,763	430,016
Provision for doubtful debt – Jordan Trade Facilities Company	-	4,741,657	-	275,317	5,016,973	1,204,074
Unpaid board of directors bonuses / Al Mawared Company	50,000	-	50,000	40,000	40,000	12,000
Provision against balances related to fraudulent transactions*	10,435,500	-	-	-	10,435,500	3,652,425
Unpaid employees bonus	801,863	-	756,863	893,678	938,678	280,652
Unpaid board of directors remunerations	107,737	-	74,038	80,931	114,630	37,708
	<u>15,910,048</u>	<u>4,764,613</u>	<u>2,466,022</u>	<u>3,611,317</u>	<u>21,819,955</u>	<u>5,365,915</u>
<b>B- Deferred Tax Liabilities</b>						
Change in fair value reserve	5,906,059	-	-	2,368,207	8,274,266	2,067,121
Effect of early adoption of IFRS (9)	18,033	-	18,033	-	-	6,312
	<u>5,924,092</u>	<u>-</u>	<u>18,033</u>	<u>2,368,207</u>	<u>8,274,266</u>	<u>2,073,433</u>

Deferred tax liabilities include an amount of JD 2,812,850 as of 31 December 2016 against JD 2,067,121 as of 31 December 2015 which represents tax liabilities against gains on the evaluation of financial assets at fair value through other comprehensive income which is shown under fair value reserve in owners' equity. In addition, there's an amount of JD Zero as of 31 December 2016 against JD 6,312 as of 31 December 2015 represents deferred tax liabilities on gain on financial assets at fair value through profit or loss which is related to the early adoption of IFRS (9).

\* This item represents the deferred tax benefits expected from the provision booked against the balances related to the fraudulent transactions (note 13), and the management believes these amounts can be recovered from in the futures.

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The movement on deferred tax assets / liabilities was as follows:

	31 December 2016		31 December 2015	
	Assets	Liabilities	Assets	Liabilities
Balance at the beginning of the year	5,365,915	2,073,433	5,220,816	1,886,194
Balances generated from investment in subsidiaries	1,143,506	-		
Additions	1,229,276	739,417	805,868	732,777
Deductions	855,082	-	660,769	545,538
<b>Balance at year end</b>	<b>6,883,615</b>	<b>2,812,850</b>	<b>5,365,915</b>	<b>2,073,433</b>

**C. The summary of the reconciliation between accounting profit and taxable profit is as follows:**

	31 December 2016 JD	31 December 2015 JD
Accounting profit for the year	22,378,226	20,604,844
Non-taxable profit	(6,042,126)	(4,825,240)
Expenses not deductible for tax purposes	6,024,570	4,480,213
<b>Taxable profit</b>	<b>22,360,670</b>	<b>20,259,817</b>
Income tax percentage for the Bank	35%	35%
Deferred taxes percentage for the Bank	35%	35%
Income tax percentage for the subsidiary companies	24%	24%
Deferred tax percentage for the subsidiary companies	24%	24%

**(20) OTHER LIABILITIES**

This item consists of the following:

	31 December 2016 JD	31 December 2015 JD
Accepted and certified checks	1,041,832	1,801,308
Accrued interest	3,230,269	2,465,775
Sundry creditors	3,326,202	5,069,807
Brokerage payable	544,726	610,990
Dividends payable	94,468	103,607
Deposits on safe deposit boxes	110,871	85,244
Accrued expenses	1,291,307	1,106,242
Other liabilities	2,435,201	2,592,727
	<b>12,074,876</b>	<b>13,835,700</b>

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**(21) PAID-IN CAPITAL**

Authorized and paid-up capital amounted to JD 100 million distributed over 100 million shares at a par value of JD 1 per share as of the end of the year 2016 and 2015.

**(22) RESERVES**

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

**a- Statutory Reserve:**

This account represents the accumulated amount of appropriations from income before tax for prior years at 10% according to the Banks Law. This amount is not to be distributed to shareholders.

**b- General Banking Risks Reserve**

This item represents the general banking risks reserve according to the Central Bank of Jordan's instructions.

**c- The details of the restricted reserves are as follows:**

Reserve	31 December	31 December	Nature of restriction
	2016 JD	2015 JD	
Statutory reserve	23,570,771	21,332,948	Restricted according to the Banks law and Companies Law
General banking risks reserve	5,311,284	4,603,049	Restricted according to the Central Bank of Jordan

**(23) FINANCIAL ASSETS VALUATION RESERVE - NET**

This item consists of the following:

	31 December	31 December
	2016	2015
	JD	JD
Balance at the beginning of the year	3,839,176	2,762,658
Unrealized gain	1,726,001	1,622,009
Deferred tax liabilities	(745,729)	(579,538)
Losses on sale of financial assets through other comprehensive income	672,071	34,047
<b>Balance at end of the year</b>	<b>5,491,519</b>	<b>3,839,176</b>

The financial assets revaluation reserve is presented net after deducting deferred tax liabilities of JD 2,812,850 as of 31 December 2016 against JD 2,067,121 as of 31 December 2015.

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**(24) RETAINED EARNINGS**

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Balance at the beginning of the year	23,984,252	19,052,742
Profit for the year	15,297,799	14,254,168
Transferred to reserves	(2,946,058)	(2,288,611)
Dividends	(8,000,000)	(7,000,000)
losses on sale of financial assets through other comprehensive income	(672,071)	(34,047)
<b>Balance at end of the year</b>	<u>27,663,922</u>	<u>23,984,252</u>

- Included in retained earnings is an amount of JD 6,883,615 restricted against deferred tax assets as of 31 December 2016 against JD 5,365,915 as of 31 December 2015.
- Included in the retained earnings a restricted amount of JD 1,039,200 as of 31 December 2016 (and 31 December 2015: JD 2,539,200) based on Central Bank of Jordan request, for the remaining balance of fraudulent transactions.
- Included in retained earnings an amount of JD 415,074 as of 31 December 2016 against JD 426,919 as of 31 December 2015, which represents the effect of early adoption of IFRS (9). These amounts are restricted amounts and cannot be utilized unless realized as instructed by the Jordan Securities Commission.
- The balance of the retained earnings does not include any differences revaluation of financial assets at fair value through the income statements as of 31 December 2015 and 31 December 2016 .

**(25) PROPOSED DIVIDENDS**

The board of directors recommended to the general assembly of shareholders to distribute JD 10 Million for the year 2016 which equivalent to 10% of capital and it is subject to the approval of the general assembly of shareholder.

In April 20 2016 the board of directors recommended to the general assembly of shareholders to distribute 8,000,000 for the year 2015 which equivalent 8 %.

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**(26) NON-CONTROLLING INTEREST**

This item consists of the following:

	31 December 2016			31 December 2015		
	Non-Controlling Interest share %	Non-controlling interest share of net profit JD	Non-controlling interest share of net assets JD	Non-Controlling Interest share %	Non-controlling interest share of net profit JD	Non-controlling interest share of net assets JD
	Tamkeen leasing company	10	40,859	654,896	10	30,061
Al-Istethmari letamweel Selselat Al lmdad	6	39,877	312,722	6	25,597	272,845
Jordan Trade Facilities Company	5.33	228,724	1,338,100	-	-	-
<b>Total</b>		<b>309,460</b>	<b>2,305,718</b>		<b>55,658</b>	<b>886,882</b>

**(27) INTEREST INCOME**

This item consists of the following:

	2016 JD	2015 JD
<b>Direct credit facilities:</b>		
<b>Individuals (retail):</b>		
Loans and discounted bills	5,761,028	3,550,470
Overdraft	1,172,189	1,357,397
Credit cards	1,387,901	863,505
<b>Real estate loans</b>	10,899,686	12,358,381
<b>Companies</b>		
<b>Corporate</b>		
Loans and discounted bills	19,373,102	15,499,454
Overdraft	5,627,510	5,597,732
<b>Medium and small companies</b>		
Loans and discounted bills	938,491	544,518
Overdraft	728,428	936,561
<b>Government and public sector</b>	289	-
Balances at the Central Bank of Jordan	652,756	836,832
Balances and deposits at banks and financial institutions	509,500	311,549
Financial assets at fair value through profit or loss	-	20,842
Financial assets at amortized cost	5,167,919	6,631,588
	<b>52,218,799</b>	<b>48,508,829</b>

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**(28) INTEREST EXPENSE**

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Deposits at banks and financial institutions	30,776	1,622,779
<b>Customers Deposits:</b>		
Current and demand accounts	200,593	212,687
Saving accounts	243,602	229,131
Time and deposits subject to notes	12,015,798	14,791,114
Certificates of deposit	5,664	16,868
Cash margins	503,469	482,331
Borrowed amounts	3,549,077	1,113,732
Fees to Deposit insurance corporation	1,095,179	1,071,429
	<u>17,644,158</u>	<u>19,540,071</u>

**(29) NET COMMISSIONS INCOME**

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
<b>Commissions Income:</b>		
Direct credit facilities	4,587,641	3,594,823
Indirect credit facilities	1,732,841	1,977,485
Brokerage commissions	266,375	277,847
Other commissions	1,070,837	958,284
<b>Total Commissions Income</b>	7,657,694	6,808,439
Less: Commissions expense	(1,187,570)	(955,495)
<b>Net Commissions Income</b>	<u>6,470,124</u>	<u>5,852,944</u>

**(30) GAIN ON FOREIGN CURRENCY EXCHANGE**

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Gains from foreign currencies trading / dealing	596,606	498,757
Gains from revaluation	37,260	41,809
	<u>633,866</u>	<u>540,566</u>

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**(31) GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH STATEMENT OF INCOME**

This item consists of the following:

	Realized gain JD	Unrealized (losses) gain JD	Dividends income JD	Total JD
<b>2016</b>				
Companies shares	236,853	(40,118)	31,547	228,282
Total	<u>236,853</u>	<u>(40,118)</u>	<u>31,547</u>	<u>228,282</u>
<b>2015</b>				
Companies shares	709,054	(90,022)	411,090	1,030,122
Total	<u>709,054</u>	<u>(90,022)</u>	<u>411,090</u>	<u>1,030,122</u>

**(32) OTHER INCOME**

This item consists of the following:

	2016 JD	2015 JD
Bonded income	2,044,457	1,405,260
Telecommunication income	226,589	206,028
Gain on sale of assets seized by the bank	283,784	43,051
Reversed from written off debts	749,509	72,483
Other	333,684	118,835
	<u>3,638,023</u>	<u>1,845,657</u>

**(33) EMPLOYEES EXPENSES**

This item consists of the following:

	2016 JD	2015 JD
Salaries, benefits, bonuses and employees' allowances	11,478,849	9,513,306
Bank and subsidiaries share in social security	1,148,760	879,656
Medical expenses	673,501	539,711
Per diems	6,114	8,160
Travel expenses	46,315	86,494
Employees training expense	115,792	137,639
Employees life insurance expense	38,090	19,261
	<u>13,507,421</u>	<u>11,184,227</u>



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**(34) OTHER EXPENSES**

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Rent	707,416	756,273
Stationery	256,689	145,894
Advertisements	1,081,463	804,699
Subscriptions and fees	679,206	708,730
Telecommunication and courier expenses	821,225	770,591
Maintenance, repair and programme licences	1,130,687	968,410
Insurance	179,885	222,296
Legal fees	192,516	109,553
Water, electricity and heating	424,879	559,869
Professional fees	712,645	375,741
Donations	128,680	156,760
Credit cards expense	186,808	158,880
Board members bonus and transportation	436,016	363,933
Others	1,731,138	1,340,458
	<u>8,669,253</u>	<u>7,442,087</u>

**(35) EARNINGS PER SHARE FOR THE YEAR ATTRIBUTABLE TO THE SHAREHOLDERS OF THE BANK**

This item consists of the following:

	<u>2016</u>	<u>2015</u>
	JD	JD
Income for the year/attributes to banks shareholders	15,297,799	14,254,168
Weighted average number of shares *	100,000,000	100,000,000
	<u>JD/ Share</u>	<u>JD/ Share</u>
Earnings per share from the income for the year attributable Bank shareholders	<u>0.153</u>	<u>0.143</u>

\* The basic earnings per share (EPS) for the current year profit attributed to parent owners equals to diluted (EPS) , since the bank did not issue any financial instruments which may affect the basic (EPS)

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**(36) CASH AND CASH EQUIVALENTS**

This item consists of the following:

	<u>31 December</u> 2016 JD	<u>31 December</u> 2015 JD
Cash on hand and balances at the Central Bank mature within three months	91,250,017	102,527,791
Add:		
Balances at banks and financial institutions mature within three months	73,902,498	45,854,292
Less:		
Banks and financial institutions deposits mature within three months	2,432,998	9,018,275
Restricted balances at banks and financial institutions	-	(2,383,268)
Cash and Cash Equivalents	<u>162,719,517</u>	<u>136,980,540</u>

**(37) RELATED PARTIES TRANSACTIONS**

The consolidated financial statements include the financial statements of the bank and the subsidiary companies as follows:

Company's Name	Ownership %	Company's Capital	
		<u>2016</u> JD	<u>2015</u> JD
Al-Mawared for financial brokerage	100	10,000,000	10,000,000
Tamkeen leasing Company	90	5,000,000	5,000,000
Al Istethemari Letamweel Selselat Al Imdad	94	3,000,000	3,000,000
Jordan factoring	100	30,000	30,000
Jordan Trade Facilities Company	94.7	16,500,000	-
Trade Facilities Company for Finance leasing	94.7	2,000,000	-

The Bank entered into transactions with members of the Board of Directors, executive management, subsidiary companies and major shareholders within the normal banking practice according to the commercial interest rates and commissions. All credit facilities granted to related parties are within the normal course of the banks operation and no provision was taken, except for the below:

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The following represents a summary of transactions with related parties:

	Related Party			Total	
	Subsidiary Companies*	Board of Directors Members and Executive Management	Others (Employees, Employees Relatives, Relatives of Members of the Board of Directors, Executive Management and Controlled Companies)	31 December 2016	31 December 2015
	JD	JD	JD	JD	JD
<b>Financial Position Statement</b>					
<b>Items:</b>					
Credit facilities	6,700,326	4,148,205	43,585,754	54,434,285	44,891,327
Provision for impairment in credit facilities	-	-	-	-	5,079,618
Deposits, current accounts and cash margin	990,679	2,830,208	32,968,517	36,789,404	24,541,295
<b>Off-Financial Position</b>					
<b>Statement Items:</b>					
Letters of credit	-	-	140,263	140,263	19,163
Letters of guarantee	1,364,625	911,402	7,298,477	9,574,504	9,993,374
<b>Statement of income</b>					
Interest and commissions received	306,062	302,852	6,469,024	7,077,938	2,614,300
Interest and commissions paid	94,939	42,715	177,180	314,834	703,801
Provision for impairment in credit facilities	-	-	(5,079,618)	(5,079,618)	3,565,621
<b>Additional Information</b>					
Watch list credit facilities	-	-	-	-	1,457,644
Provision for Watch list credit facilities	-	-	-	-	606,998
Non-performing credit facilities	-	-	-	-	11,496,028
Provision for non-performing credit facilities	-	-	-	-	4,472,620
Interest in suspense	-	-	-	-	3,969,630

\* Such balances and transactions are eliminated in the consolidated financial statements and are shown for explanatory purposes only.

Maximum credit interest rate in Jordanian dinars 21%  
2.75%

Maximum credit interest rate in other currencies 4%  
3%

Maximum debit interest rate in Jordanian dinars 4.25%  
0%

Maximum debit interest rate in other currencies 0.1%

Maximum credit commission rate 1%

Minimum credit interest rate in Jordanian dinars

Minimum credit interest rate in other currencies

Minimum debit interest rate in Jordanian dinars

Minimum debit interest rate in other currencies 0%

Minimum credit commission rate 0%

Executive management salaries and benefits amounted to JD 2,645,738 for the year ended 31 December 2016 against JD 2,529,196 for the year 2015.

**(38) RISK MANAGEMENT**

**General framework of risk management**

The bank has identified control levels (defense lines) by placing the framework for the following control levels as follows:

- **Business units:** represents employees that are part of first line defense, which responsible for risk management and related control procedures.
- **Independent risk management function:** the employees of risk management department represent the second line defense by making them responsible over arranging risk management efforts and facilitating the supervision process over the implemented procedures from the bank.
- **Compliance Department:** the employees of compliance department represent another part in the second line defense by assure of complying with the implemented procedures, laws and regulations.
- **Internal audit:**  
Internal audit employees represent the third line defense, and they are responsible for performing an independent review for control procedures and systems that are related to risk management at the bank level.

In addition, the Bank had established a risk management committee from the board of directors in order to manage the risks that the bank is exposed to. These risks are managed to mitigated the impact of these risks to ensure proper alignment with the bank strategy

The Risk Management Committee's tasks are as follows:

- A. To supervise the management of the risk policy and ensure that the Risk Management and Compliance Department achieves its objectives according to the approved policies.
- B. To ensure appropriate and sufficient support for the Risk Management and Compliance Department in achieving its objectives in accordance with the approved policies and procedures and the Central Bank's instructions.
- C. To ensure the availability of work procedures for risk management in compliance with the various management risk policies at the Bank.
- D. To ensure the use of the new techniques and method of management and assessment of risk management.
- E. To identify basis and principles of risk management and risk acceptance, risk transfer, risk refuse and risk mitigation.
- F. To review the periodical reports of the Risk Management and Compliance Department.
- G. To ensure that the Bank adheres to the Central Bank of Jordan instructions.
- H. To review the internal calculation of capital adequacy for the bank and present it to the board of directors, taking in consideration the bank strategies and plans.
- I. Ensure the independency of the risk department.

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The Risk Management and Compliance Committee have set the risk management framework for the Bank. Moreover, the Board of Directors has established the Risk Management and Compliance Committee, formed by the Board members and executive management. Its objective is to monitor and control the various risks (credit risks, operating risks, market risks and compliance risks) or any other risks the Bank might be exposed to.

The department manages the Bank's various risks (credit risk, operating risk, market risk, compliance risk, and other risks) within the general framework of risks management. The role of the department can be summarized as follows:

- Risk Identification.
- Risk Assessment.
- Risk Control / Mitigation.
- Risk Monitoring.

The Bank managed to prepare the required plans and action points to ensure the compliance with the Central Bank of Jordan instructions related to (Basel III) and internal capital adequacy assessment process.

**(38. A) CREDIT RISKS**

Credit risks are defined as the probability of not fully recovering the debt or interest in the specified time causing financial losses to the Bank.

Moreover, credit risk represents the major portion banks are exposed to in general. In recognition of this reality, the Bank has accorded credit risk management great significance through managing credit risks at the portfolio level, economic sector level, group level, or single customer level, taking into consideration the achievement of an appropriate return on the risks the Bank is exposed to.

To achieve this, based on the risk management strategy, the Bank has performed the following:

1. The risk appetite and ceilings are based on credit risk commensurate with the acceptable risk limits adopted by the Board of Directors and Risks and Compliance Department. Risk limits are set for each client, group and economic sector, in order to mitigate the Bank's exposure to credit risk concentrations.
2. The bank implemented a credit risk rating system from Moody's company for Corporate and retail companies, this will impact on the quality of credit portfolio and will help in taking the appropriate credit decisions.
3. Credit risk is mitigated through credit risk factors (collaterals such as real estate, shares or other) commensurate with the credit risk faced by the Bank to cover any unexpected subsequent events.
4. Proper legal and credit documentation is applied for all conditions associated with the credit facilities.

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1- Credit risk exposure (less the impairment provision and interest in suspense and before guarantees and other risk - mitigating factors):

	2016 JD	2015 JD
<b>On financial position statement items:</b>		
Balances at the central bank of Jordan	80,495,887	93,581,993
Balances at banks and financial institutions	73,902,498	45,854,292
Deposits at banks and financial institutions	5,500,000	5,000,000
<b>Credit facilities:</b>		
Individuals	112,552,975	65,631,158
Real estate loans	123,068,086	115,109,896
<b>Companies</b>		
Corporate	287,272,635	262,900,437
Small and medium institutions (SMEs)	15,712,386	11,062,777
Government and public sector	24,203	-
<b>Bonds, bills and debentures:</b>		
Financial assets at amortized cost	120,143,870	119,079,954
Other assets	6,671,330	8,212,868
<b>Total on financial statement items</b>	<u>825,343,870</u>	<u>726,433,375</u>
<b>Off financial position statement items:</b>		
Letters of guarantee	78,223,226	73,777,385
Letters of credit	7,613,523	13,761,841
Letters of acceptance	8,438,672	3,186,941
Unutilised facility limits	28,634,407	17,312,891
<b>Total off financial statement items</b>	<u>122,909,828</u>	<u>108,039,058</u>
<b>Total on and off financial statement items</b>	<u><u>948,253,698</u></u>	<u><u>834,472,433</u></u>

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To mitigate the above credit risk exposures, the Bank uses the following risk mitigating factors within the conditions of the credit policy set by the Bank:

1. Cash collaterals.
2. Accepted bank guarantee.
3. Real estate mortgages.
4. Listed shares collaterals.
5. Vehicles and equipment mortgages.
6. Financial inventories collaterals

**2- Credit exposures according to the degree of risk:**

	Companies				Government and Public Sector	Banks and other Financial institutions	Total
	Individuals	Real estate loans	Corporate	Small and medium			
	JD	JD	JD	JD	JD		JD
<b>31 December 2016</b>							
Low risk	7,141,472	-	5,108,320	777,328	180,591,968	-	193,619,088
Acceptable risk	95,727,974	118,986,354	299,363,259	13,371,009	-	79,402,498	606,851,094
<b>Of which is due:*</b>							
within 30 days	190,244	258,812	7,012,854	129,216	-	-	7,591,126
from 31 to 60 days	73,886	41,451	3,299,299	82,569	-	-	3,497,205
Watch list	7,334,657	3,534,943	3,449,595	1,691,836	-	-	16,011,031
<b>Non-performing:</b>							
Substandard	851,811	20,629	685,191	34,368	-	-	1,591,999
Doubtful	1,463,922	472,328	10,290,126	686,488	-	-	12,912,864
Bad debt	10,636,938	1,699,343	8,035,549	3,632,899	-	-	24,004,729
<b>Total</b>	<b>123,156,774</b>	<b>124,713,597</b>	<b>326,932,040</b>	<b>20,193,928</b>	<b>180,591,968</b>	<b>79,402,498</b>	<b>854,990,805</b>
Less: Impairment provision	8,893,364	1,019,077	10,081,195	3,321,060	-	-	23,314,696
Interest in suspense	1,710,435	626,434	2,834,888	1,160,482	-	-	6,332,239
<b>Net</b>	<b>112,552,975</b>	<b>123,068,086</b>	<b>314,015,957</b>	<b>15,712,386</b>	<b>180,591,968</b>	<b>79,402,498</b>	<b>825,343,870</b>

- Credit exposures (financial assets and investments in financial assets) are distributed according to the credit classification as follows:

Credit classification	Government and public sector	Financial institutions
(AAA to AA-)	-	13,055,160
(A+ TO A-)	-	10,321,525
(BBB+ TO B-)	-	16,775,486
(BB+ to B-)	180,591,968	10,325
Less than (B-) not classified	-	-
Not classified	-	39,240,002
	<b>180,591,968</b>	<b>79,402,498</b>

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	Companies						Total JD
	Individuals	Real estate loans	Corporate	Small and medium	Government and Public Sector	Banks and other Financial institutions	
	JD	JD	JD	JD	JD	JD	
<b>31 December 2015</b>							
Low risk	3,115,952	12,344	7,690,456	188,206	182,017,094	-	193,024,052
Acceptable risk	61,275,273	114,249,928	284,230,947	10,246,897	-	50,854,292	520,857,337
<b>Of which is due:*</b>							
within 30 days	191,672	194,323	8,090,818	92,943	-	-	8,569,756
from 31 to 60 days	71,437	71,824	4,830,117	150,887	-	-	5,124,265
Watch list	997,518	536,744	5,146,492	1,989,653	-	-	8,670,407
<b>Non-performing:</b>							
Substandard	146,192	17,188	300,725	1,339	-	-	465,444
Doubtful	654,926	27,464	316,341	65,225	-	-	1,063,956
Bad debt	5,858,516	3,147,553	20,122,594	3,582,919	-	-	32,711,582
<b>Total</b>	<b>72,048,377</b>	<b>117,991,221</b>	<b>317,807,555</b>	<b>16,074,239</b>	<b>182,017,094</b>	<b>50,854,292</b>	<b>756,792,778</b>
Less: Impairment provision	4,416,993	1,220,209	9,867,535	3,773,109	-	-	19,277,846
Interest in suspense	2,000,226	1,661,116	6,181,862	1,238,353	-	-	11,081,557
<b>Net</b>	<b>65,631,158</b>	<b>115,109,896</b>	<b>301,758,158</b>	<b>11,062,777</b>	<b>182,017,094</b>	<b>50,854,292</b>	<b>726,433,375</b>

- Credit exposures (financial assets and investments in financial assets) are distributed according to the credit classification as follows:

Credit classification	Government and public	Financial institutions
(AAA to AA-)	-	5,507,713
(A+ TO A-)	-	11,733,359
(BBB+ TO B-)	-	7,534,525
(BB+ to B-)	182,017,094	18,010,337
Less than (B-) not classified	-	-
Not classified	-	8,068,358
	<b>182,017,094</b>	<b>50,854,292</b>

- \* The whole debt balance becomes due when one of the installments or interest is due. Moreover, the overdraft account becomes due whenever it exceeds the ceiling.

Credit exposures include credit facilities, balances and deposits at banks in addition to financial assets.



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

	Individuals		Companies		Total JD
	Real estate loans	Corporate	Small and medium		
	JD	JD	JD	JD	
<b>2016</b>					
<b>Guarantees against:</b>					
Low risk	7,141,472	-	5,108,320	777,328	13,027,120
Acceptable risk watch list	59,653,654	116,133,854	137,856,364	1,363,547	315,007,419
	-	-	6,442	-	6,442
<b>Non-performing:</b>					
Substandard	250	-	85,654	-	85,904
Doubtful	89	1,200,256	-	19	1,200,364
Bad debt	487,920	2,664,838	4,234,066	1,137,623	8,524,447
	<u>67,283,385</u>	<u>119,998,948</u>	<u>147,290,846</u>	<u>3,278,517</u>	<u>337,851,696</u>
<b>Of it:</b>					
Cash margins	7,275,581	52,000	5,123,207	777,328	13,228,116
Real estate	47,235,450	119,946,948	137,748,579	1,450,000	306,380,977
Trade stocks	6,073,742	-	165,513	-	6,239,255
Vehicles and equipment	6,698,612	-	4,253,547	1,051,189	12,003,348
	<u>67,283,385</u>	<u>119,998,948</u>	<u>147,290,846</u>	<u>3,278,517</u>	<u>337,851,696</u>
<b>2015</b>					
<b>Guarantees against:</b>					
Low risk	3,115,952	12,344	7,690,456	188,206	11,006,958
Acceptable risk watch list	38,720,013	99,656,984	161,522,214	7,002,125	306,901,336
	482,547	536,744	3,021,454	1,222,547	5,263,292
<b>Non-performing:</b>					
Substandard	-	-	97,744	-	97,744
Doubtful	108	73,060	809	-	73,977
Bad debt	352,001	8,642,589	15,090,639	1,706,942	25,792,171
	<u>42,670,621</u>	<u>108,921,721</u>	<u>187,423,316</u>	<u>10,119,820</u>	<u>349,135,478</u>
<b>Of it:</b>					
Cash margins	3,167,953	12,344	7,690,456	188,206	11,058,959
Real estate	31,669,148	108,909,377	166,547,342	9,024,560	316,150,427
Trade stocks	5,214,568	-	12,547,698	622,784	18,385,050
Vehicles and equipment	2,618,952	-	637,820	284,270	3,541,042
	<u>42,670,621</u>	<u>108,921,721</u>	<u>187,423,316</u>	<u>10,119,820</u>	<u>349,135,478</u>

Guarantees fair value are evaluated when the facilities are granted based on acceptable evaluation methods for these guarantees, in the subsequent periods the fair value is updated to market prices or related assets prices.

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**Rescheduled Loans**

These loans are loans previously classified as non-performing credit facilities but taken out there from according to proper rescheduling. They have been classified as "debts under control (watch list)" or changed to performing and amounted to JD 11,650,355 as of 31 December 2016 against JD 2,182,339 for the year 2015.

**Restructured Loans**

Restructuring means rearranging credit facilities installments through increasing their duration, postponing some installments, or increasing the grace period. Restructured debts amounted to JD 31,059,839 for the year 2016 against JD 36,147,098 for the year 2015.

**Bonds, Bills, and Debentures**

The following table illustrates the classification of bonds, bills, and debentures according to external rating institutions:

2016

Rating Grade	Within Financial Assets at fair value through profit or loss JD	Within Financial assets at amortized cost JD	Total JD
Unrated	-	20,071,992	20,071,992
Governmental	-	100,071,878	100,071,878
<b>Total</b>	<b>-</b>	<b>120,143,870</b>	<b>120,143,870</b>

2015

Rating Grade	Within Financial Assets at fair value through profit or loss JD	Within Financial assets at amortized cost JD	Total JD
Unrated	-	30,644,853	30,644,853
Governmental	-	88,435,101	88,435,101
<b>Total</b>	<b>-</b>	<b>119,079,954</b>	<b>119,079,954</b>

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**4- Credit risk exposure according to geographic area as follows:**

	Geographical Area							Total JD
	Inside Jordan	Middle east countries	Europe	Asia *	Americas	Others		
	JD	JD	JD	JD	JD	JD	JD	
Balances at Central Bank of Jordan	80,495,887	-	-	-	-	-	-	80,495,887
Balances at banks and financial institutions	29,698,581	5,071,254	26,329,068	10,325	12,785,253	8,017	8,017	73,902,498
Deposits at banks and financial institutions	5,500,000	-	-	-	-	-	-	5,500,000
<b>Direct credit facilities:</b>								
Individuals	112,552,975	-	-	-	-	-	-	112,552,975
Real estate loans	123,068,086	-	-	-	-	-	-	123,068,086
<b>Companies:</b>								
Corporate	287,272,635	-	-	-	-	-	-	287,272,635
Small and medium institutions	15,712,386	-	-	-	-	-	-	15,712,386
Government and Public sector	24,203	-	-	-	-	-	-	24,203
<b>Bonds, bills and debentures:</b>								
Financial assets at amortized cost	110,971,878	3,477,542	5,694,450	-	-	-	-	120,143,870
Other assets	6,671,330	-	-	-	-	-	-	6,671,330
<b>Total /the current year 2016</b>	<b>771,967,961</b>	<b>8,548,796</b>	<b>32,023,518</b>	<b>10,325</b>	<b>12,785,253</b>	<b>8,017</b>	<b>8,017</b>	<b>825,343,870</b>
<b>Total / comparative figures 2015</b>	<b>679,287,463</b>	<b>6,967,202</b>	<b>36,163,486</b>	<b>10,335</b>	<b>3,852,511</b>	<b>152,378</b>	<b>152,378</b>	<b>726,433,375</b>

\* Excluding Middle East Countries.

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**5- Credit exposure according to economic sectors as follows:**

Item:	Economic Sector							Total JD	
	Financial JD	Industrial JD	Trading and services JD	Real estate JD	Agricultural JD	Shares JD	Individual JD		Government and public sector JD
Balances at the central Bank of Jordan	-	-	-	-	-	-	-	80,495,887	80,495,887
Balance at banks and financial institutions	73,902,498	-	-	-	-	-	-	-	73,902,498
Deposits at banks and financial institutions	5,500,000	-	-	-	-	-	-	-	5,500,000
Credit facilities	49,099,348	71,677,386	179,380,941	73,616,717	753,691	12,531,033	151,546,966	24,203	538,630,285
<b>Bonds, bills and debentures:</b>									
Financial assets at amortised cost	17,923,916	-	2,148,076	-	-	-	-	100,071,878	120,143,870
Other assets	3,207,344	770,075	2,693,911	-	-	-	-	-	6,671,330
<b>Total /the current year 2016</b>	<u>149,633,106</u>	<u>72,447,461</u>	<u>184,222,928</u>	<u>73,616,717</u>	<u>753,691</u>	<u>12,531,033</u>	<u>151,546,966</u>	<u>180,591,968</u>	<u>825,343,870</u>
<b>Total / comparative figures 2015</b>	<u>123,019,258</u>	<u>71,202,103</u>	<u>164,634,116</u>	<u>67,078,266</u>	<u>1,219,303</u>	<u>16,674,874</u>	<u>100,588,361</u>	<u>182,017,094</u>	<u>726,433,375</u>

### **(38. B) OPERATIONAL RISKS**

Operational risk is defined as the risk of loss resulting from inadequate or failed processes, people and systems or from external events. This definition includes legal risk.

Investment bank has implemented a Control and Risk Self-Assessment process for the management of operational risk at the Bank through the use of an automated system named CARE. The Bank manages operational Risk on the basis of the following:

- Preparation of operational risk policy.
- Preparation of Operational Risk Accountability Policy and approved by bank board of directors.
- Implement risk profile that determine risks and the mitigating controls for these risks for the banks main departments.
- Implement automatic system for operation risk management (CARE system) to implement self-assessment methodology for risks and controls procedure.
- Build database for risks events and operational errors.
- Express an opinion over working procedure to evaluate the risks in it and the adequacy of these implemented control procedures.
- Reporting to the Board Risk Management Committee and the Executive Risk Management Committee with needed reports.

In order to ensure the implementation of best practices in operational risk management, the Bank has procured the services of Al Dar International for Governance Consultancy (Grant-Thornton Middle East) to assist in embedding the Control and Risk Self-Assessment methodology.

In addition, the Bank has signed an agreement with Protiviti to provide guidance in risk management in line with the ongoing efforts to enhance the security and transparency of the Bank's systems and processes, as well as in developing an operational risk management framework that is fully aligned with Central Bank of Jordan regulations, and in enhancing the Bank's Governance structure. An accountability policy was also developed under similar guidance from Protiviti to clarify the roles and responsibilities in the management of operational risk at various levels of the Bank.

### **Compliance Risk**

This represents the risks that arise from the probability that the Bank may not comply with (violate / transgress) the prevailing laws, regulations, instructions, banks laws, and code of ethics issued by international and local regulatory authorities.

Compliance with the regulations and prevailing laws issued by the regulatory authorities represents one of the most important risks which the Bank might be exposed to, due to the major financial losses resulting from the violation of the laws and instructions that affect the Bank's reputation. Moreover, the past few years witnessed many new regulations, instructions and laws organizing the work of the various institutions. Accordingly, the need for managing the compliance risk of the Bank is necessary. Moreover, compliance enhances the efficiency of managing risks and decreases the risk the Bank might be exposed to as a result of noncompliance with the prevailing laws and instructions.

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**(38. C) MARKET RISK**

Market risk is the potential losses that may arise from the changes in market prices such as the change in interest rates, foreign currency exchange rates, and prices of shares and products.

The Bank periodically applies the appropriate methodology to evaluate market risks and sets estimates for the probable economic losses based on a set of assumptions and changes in market conditions. The following are the methods used by the Bank to measure market risks:

- 1-Value at Risk (VaR)
- 2-Stress Testing
- 3-Stop Loss Limit policy
- 4-Monitoring open financial centers in foreign currencies.

**C/1- Interest Rate Risk:**

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

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

**- Sensitivity analysis:**

**31 December 2016**

Currency	Increase in interest rate %	Impact on profits (losses) JD	Owners' equity sensitivity JD
US Dollar	2	(80,698)	-
Euro	2	(9,719)	-
GBP	2	(2,714)	-
Japanese Yen	2	868	-
Other currencies	2	(20,341)	-

  

Currency	Decrease in interest rate %	Impact on profits (losses) JD	Owners' Equity Sensitivity JD
US Dollar	2	80,698	-
Euro	2	9,719	-
GBP	2	2,714	-
Japanese Yen	2	(868)	-
Other currencies	2	20,341	-

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**31 December 2015**

<u>Currency</u>	<u>Increase in interest rate</u> %	<u>Impact on profits (losses)</u> JD	<u>Owners' equity sensitivity</u> JD
US Dollar	2	58,197	-
Euro	2	(4,008)	-
GBP	2	(1,871)	-
Japanese Yen	2	(687)	-
Other currencies	2	14,205	-

<u>Currency</u>	<u>Decrease in interest rate</u> %	<u>Impact on profits (losses)</u> JD	<u>Owners' Equity Sensitivity</u> JD
US Dollar	2	(58,197)	-
Euro	2	4,008	-
GBP	2	1,871	-
Japanese Yen	2	687	-
Other currencies	2	(14,205)	-

**C/2- Foreign currencies risk**

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

<u>31 December 2016</u> <u>Currency</u>	<u>Change in foreign currency exchange rate</u> %	<u>Impact on profits and losses</u> JD	<u>Owners' Equity Sensitivity</u> JD
Euro	+5	(24,298)	22,032
GBP	+5	(6,785)	-
Japanese Yen	+5	2,169	-
Other currencies	+5	(50,852)	-

<u>31 December 2015</u> <u>Currency</u>	<u>Change in foreign currency exchange rate</u> %	<u>Impact on profits and losses</u> JD	<u>Owners' Equity Sensitivity</u> JD
Euro	+5	(10,020)	-
GBP	+5	(4,676)	-
Japanese Yen	+5	(31,717)	-
Other currencies	+5	35,512	-

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If there is a negative change, the effect will be equal with negative effect.

**C/3- Risks of Changes in Shares Prices:**

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

<b>2016</b> Indicator of	Change in indicator %	Impact on profits and losses	Owners' Equity Sensitivity
Amman Stock Exchange	5	(25,476)	(1,031,816)
Palestine Stock Exchange	5	-	(66,581)
International Stock Exchange	5	(80,930)	(123,500)
<b>2015</b> Indicator of	Change in indicator %	Impact on profits and losses	Owners' Equity Sensitivity
Amman Stock Exchange	5	(21,760)	(907,987)
Palestine Stock Exchange	5	-	(72,277)
International Stock Exchange	5	(106,060)	(48,810)



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**Interest rate Repricing Gap**

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

	Interest rate repricing gap							Total JD
	Less than one month JD	More than 1 month up to 3 months JD	More than 3 month up to 6 months JD	More than 6 month up to 1 year JD	From 1 year up to 3 years JD	More than 3 years JD	Non-interest bearing items JD	
<b>31 December 2016</b>								
<b>Assets:</b>								
Cash and balances at the Central Bank of Jordan	30,700,000	-	-	-	-	-	60,550,017	91,250,017
Balance at banks and financial institutions	39,990,062	4,900,000	-	-	-	-	29,012,498	73,902,498
Deposits at banks and financial institutions	-	-	500,000	5,000,000	-	-	-	5,500,000
Financial assets at fair value through statement of income	-	-	-	-	-	-	2,128,116	2,128,116
Financial assets at fair value through other comprehensive income	50,169,089	58,187,094	60,563,644	74,988,057	166,810,632	127,911,769	-	538,630,285
Direct credit facilities – net	-	-	-	-	-	-	24,437,914	24,437,914
Financial assets								
at amortised cost	6,417,539	11,332,533	29,625,862	8,927,750	15,588,279	48,251,907	-	120,143,870
Property and equipment – net	-	-	-	-	-	-	28,573,609	28,573,609
Intangible assets	-	-	-	-	-	-	3,003,463	3,003,463
Deferred tax assets	-	-	-	-	-	-	6,883,615	6,883,615
Other assets	152,531	-	3,311,455	-	-	-	51,659,299	55,123,285
<b>Total assets</b>	<b>127,429,221</b>	<b>74,419,627</b>	<b>94,000,961</b>	<b>88,915,807</b>	<b>182,398,911</b>	<b>176,163,676</b>	<b>206,248,469</b>	<b>949,576,672</b>
<b>Liabilities</b>								
Deposits at banks and financial institutions	-	-	-	-	-	-	2,432,998	2,432,998
Customers' deposits	140,756,351	109,727,573	104,677,243	102,830,966	11,398,028	-	153,426,582	622,816,743
Cash margins	4,773,099	5,355,989	5,586,712	6,753,271	7,767,870	7,857,886	-	38,094,827
Borrowed funds	555,168	2,415,649	4,231,383	29,793,709	31,849,617	30,944,098	-	99,789,624
Sundry provisions	-	-	-	-	-	-	710,086	710,086
Income tax provision	-	-	-	-	-	-	6,501,454	6,501,454
Deferred tax liabilities	-	-	-	-	-	-	2,812,850	2,812,850
Other liabilities	-	-	-	-	-	-	12,074,876	12,074,876
<b>Total liabilities</b>	<b>146,084,618</b>	<b>117,499,211</b>	<b>114,495,338</b>	<b>139,377,946</b>	<b>51,015,515</b>	<b>38,801,984</b>	<b>177,958,846</b>	<b>785,233,458</b>
<b>Interest rate repricing gap</b>	<b>(18,655,397)</b>	<b>(43,079,584)</b>	<b>(20,494,377)</b>	<b>(50,462,139)</b>	<b>131,383,396</b>	<b>137,361,692</b>	<b>28,289,623</b>	<b>164,343,214</b>
<b>31 December 2015</b>								
<b>Total assets</b>	<b>136,927,842</b>	<b>69,595,176</b>	<b>73,166,436</b>	<b>95,878,855</b>	<b>154,280,668</b>	<b>129,994,266</b>	<b>185,576,648</b>	<b>845,419,891</b>
<b>Total liabilities</b>	<b>142,642,043</b>	<b>123,951,123</b>	<b>117,777,372</b>	<b>96,992,954</b>	<b>21,624,966</b>	<b>21,454,230</b>	<b>166,330,896</b>	<b>690,773,584</b>
<b>Interest rate repricing gap</b>	<b>(5,714,201)</b>	<b>(54,355,947)</b>	<b>(44,610,936)</b>	<b>(1,114,099)</b>	<b>132,655,702</b>	<b>108,540,036</b>	<b>19,245,752</b>	<b>154,646,307</b>

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Items	Currency ( Equivalent in Jordanian Dinars)					Total
	USD	Euro	Sterling Pound	Japanese Yen	Others	
<b>2016</b>						
<b>Assets</b>						
Cash and balances at the Central Bank	15,031,971	4,969,787	164,376	-	364,204	20,530,338
Balances at banks and financial institutions	16,187,085	19,577,896	6,326,992	35,378	2,818,220	44,945,571
Financial assets at fair value through statement of income	1,434,797	-	-	-	183,793	1,618,590
Direct credit facilities	36,320,891	15,022	-	-	-	36,335,913
Financial assets at fair value through other comprehensive income	3,360,968	440,644	-	-	-	3,801,612
Financial assets at amortised cost	31,979,351	-	-	-	-	31,979,351
Other assets	1,646,977	13,891	9,303	9,215	272,037	1,951,423
<b>Total assets</b>	<b>105,962,040</b>	<b>25,017,240</b>	<b>6,500,671</b>	<b>44,593</b>	<b>3,638,254</b>	<b>141,162,798</b>
<b>Liabilities:</b>						
Deposits at banks and financial institutions	430,611	369,736	36,650	74	490,766	1,327,837
Customers' deposits	101,610,816	20,869,145	6,590,337	1,129	4,141,157	133,212,584
Cash margins	7,843,713	2,645,139	9,152	1	23,283	10,521,288
Other liabilities	111,804	1,619,186	233	-	84	1,731,307
<b>Total Liabilities</b>	<b>109,996,944</b>	<b>25,503,206</b>	<b>6,636,372</b>	<b>1,204</b>	<b>4,655,290</b>	<b>146,793,016</b>
<b>Net Concentration on-Financial Position for the Current Year</b>	<b>(4,034,904)</b>	<b>(485,966)</b>	<b>(135,701)</b>	<b>43,389</b>	<b>(1,017,036)</b>	<b>(5,630,218)</b>
<b>Off-Financial Position Contingent Liabilities for the Current Year</b>	<b>31,166,699</b>	<b>4,957,260</b>	<b>-</b>	<b>5,109,607</b>	<b>1,355,771</b>	<b>42,589,337</b>

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Items	Currency ( Equivalent in Jordanian Dinars)					Total
	USD	Euro	Sterling Pound	Japanese Yen	Others	
<b>2015</b>						
<b>Assets</b>						
Cash and balances at the Central Bank	11,238,626	483,785	253,717	-	657,980	12,634,108
Balances at banks and financial institutions	7,720,946	11,957,087	3,836,092	529	4,338,880	27,853,534
Financial assets at fair value through statement of income	2,121,192	-	-	-	-	2,121,192
Direct credit facilities	44,586,803	21,791	-	-	-	44,608,594
Financial assets at fair value through other comprehensive income	2,421,723	-	-	-	-	2,421,723
Financial assets at amortised cost	30,899,128	6,567,837	-	-	-	37,466,965
Other assets	2,476,974	37,617	11,194	8,955	66,502	2,601,242
<b>Total assets</b>	<b>101,465,392</b>	<b>19,068,117</b>	<b>4,101,003</b>	<b>9,484</b>	<b>5,063,362</b>	<b>129,707,358</b>
<b>Liabilities:</b>						
Deposits at banks and financial institutions	3,018,929	358,020	43,432	582,475	398,212	4,401,068
Customers' deposits	89,002,078	16,166,661	4,140,997	47,449	3,924,526	113,281,711
Cash margins	6,355,234	1,056,229	9,839	13,904	30,382	7,465,588
Other liabilities	179,247	1,687,603	260	-	-	1,867,110
<b>Total Liabilities</b>	<b>98,555,488</b>	<b>19,268,513</b>	<b>4,194,528</b>	<b>643,828</b>	<b>4,353,120</b>	<b>127,015,477</b>
<b>Net Concentration on-Financial Position for the Current Year</b>	<b>2,909,904</b>	<b>(200,396)</b>	<b>(93,525)</b>	<b>(634,344)</b>	<b>710,242</b>	<b>2,691,881</b>
<b>Off-Financial Position Contingent Liabilities for the Current Year</b>	<b>34,422,492</b>	<b>3,984,733</b>	<b>4,638</b>	<b>152,344</b>	<b>2,302,549</b>	<b>40,866,756</b>

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**(38/D) LIQUIDITY RISK**

Liquidity risk represents the Bank's inability to meet obligations on their maturity dates. To ward off these risks, including the management of assets and liabilities, matching, and analyzing their maturities, matching the maturities, diversifying source of funds, and maintaining an adequate fund of cash and cash equivalents and marketable securities, liquidity is managed and reviewed periodically at different levels.. According to the Central Bank of Jordan instructions, the Bank maintains cash reserves to mitigate liquidity risk.

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

	Less than one	More than 1	More than 3	More than 6	From 1 year	More than 3	Non-interest	Total
	month	month up to 3	month up to 6	month up to 1	up to 3 years	years	bearing items	
	JD	JD	JD	JD	JD	JD	JD	JD
<b>31 December 2016</b>								
<b>Liabilities</b>								
Deposits at banks and financial institutions	2,432,998	-	-	-	-	-	-	2,432,998
Customers' deposits	199,871,940	137,087,720	128,308,205	122,984,031	39,364,229	-	-	627,616,125
Cash margins	4,779,781	5,367,237	5,621,908	6,838,362	7,963,620	8,253,923	-	38,824,831
Borrowed funds	557,768	2,432,617	4,320,551	31,049,394	34,534,283	36,160,774	-	109,055,387
Sundry provisions	-	-	-	-	-	-	710,086	710,086
Income tax provision	2,084,740	4,416,714	-	-	-	-	-	6,501,454
Deferred tax liabilities	-	-	-	-	-	-	2,812,850	2,812,850
Other liabilities	2,577,215	3,230,269	6,267,392	-	-	-	-	12,074,876
<b>Total liabilities</b>	<b>212,304,442</b>	<b>152,534,557</b>	<b>144,518,056</b>	<b>160,871,787</b>	<b>81,862,132</b>	<b>44,414,697</b>	<b>3,522,936</b>	<b>800,028,607</b>
<b>Total assets</b>	<b>216,991,674</b>	<b>74,419,627</b>	<b>94,000,961</b>	<b>88,915,807</b>	<b>182,398,911</b>	<b>176,163,676</b>	<b>116,686,016</b>	<b>949,576,672</b>
<b>31 December 2015</b>								
<b>Liabilities</b>								
Deposits at banks and financial institutions	9,028,796	-	-	-	-	-	-	9,028,796
Customers' deposits	271,404,257	116,820,284	108,283,193	91,413,389	191,111	-	-	588,112,234
Cash margins	3,757,534	5,814,380	4,933,377	5,231,168	6,773,719	6,275,257	-	32,785,435
Borrowed funds	2,054,786	1,787,283	5,915,935	2,440,507	16,023,318	17,958,722	-	46,180,551
Sundry provisions	-	-	-	-	-	-	1,082,090	1,082,090
Income tax provision	2,483,315	3,724,972	-	-	-	-	-	6,208,287
Deferred tax liabilities	-	-	-	-	-	-	2,073,433	2,073,433
Other liabilities	3,127,738	2,465,775	8,242,187	-	-	-	-	13,835,700
<b>Total liabilities</b>	<b>291,856,426</b>	<b>130,612,694</b>	<b>127,374,692</b>	<b>99,085,064</b>	<b>22,988,148</b>	<b>24,233,979</b>	<b>3,155,523</b>	<b>699,306,526</b>
<b>Total assets</b>	<b>206,620,782</b>	<b>69,595,176</b>	<b>73,166,436</b>	<b>95,878,855</b>	<b>154,280,668</b>	<b>129,994,266</b>	<b>115,883,708</b>	<b>845,419,891</b>

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**Second: Off financial position statement:**

	Up to one year JD	From one year to 5 years JD	More than 5 years JD	Total JD
<b>31 December 2016</b>				
Letters of credit and acceptances	16,052,195	-	-	16,052,195
Unutilized credits	28,634,407	-	-	28,634,407
Guarantees	69,374,093	8,849,133	-	78,223,226
Operating lease contract liabilities	642,728	2,240,688	1,445,748	4,329,164
Capital liabilities	11,804	-	-	11,804
	<u>114,715,227</u>	<u>11,089,821</u>	<u>1,445,748</u>	<u>127,250,796</u>
	Up to one year JD	From one year to 5 years JD	More than 5 years JD	Total JD
<b>31 December 2015</b>				
Letters of credit and acceptances	16,948,782	-	-	16,948,782
Unutilized credits	17,312,891	-	-	17,312,891
Guarantees	66,449,058	7,328,327	-	73,777,385
Operating lease contract liabilities	412,070	1,123,264	878,052	2,413,386
Capital liabilities	195,684	-	-	195,684
	<u>101,318,485</u>	<u>8,451,591</u>	<u>878,052</u>	<u>110,648,128</u>

**(39) SECTOR ANALYSIS**

**a. Information on the bank sectors operation**

The Bank is organized, for managerial purposes, which measured according to reports used by general manager and decision makers to the Bank into three major sectors. Moreover, the Bank owns three subsidiaries: one conducts financial brokerage, the other financial lease, and the third bonded stores operation and management.

- Individuals accounts: include following up on individual customers accounts, and granting them loans, credit, credit cards, and other services.
- Corporate accounts: include following up on deposits, credit facilities, and other banking services related to customers.
- Treasury: includes providing dealing services and management of the Bank's funds.

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	Individuals (Retail) JD	Corporate JD	Treasury JD	Financial Brokerage JD	Financial Lease JD	Bonded Management JD	Other JD	Total	
								2016 JD	2015 JD
Gross income	11,151,323	22,208,476	6,951,790	1,938,447	1,882,106	2,476,321	491,065	47,099,528	39,200,482
Provision for impairment on direct credit facilities (Recovery) Sundry provisions	524,220	379,117	-	-	(7,182)	(2,110)	-	894,045	3,303,506
	-	-	-	-	-	-	423,239	423,239	(271,819)
<b>Results of business sector</b>	<b>11,675,543</b>	<b>22,587,593</b>	<b>6,951,790</b>	<b>1,938,447</b>	<b>1,874,924</b>	<b>2,474,211</b>	<b>914,304</b>	<b>48,416,812</b>	<b>42,232,169</b>
Undistributed expenditures on sectors	-	-	-	(433,180)	(938,958)	(1,599,717)	(23,066,731)	(26,038,586)	(21,627,325)
<b>Profit for the year before taxes</b>	<b>11,675,543</b>	<b>22,587,593</b>	<b>6,951,790</b>	<b>1,505,267</b>	<b>935,966</b>	<b>874,494</b>	<b>(22,152,427)</b>	<b>22,378,226</b>	<b>20,604,844</b>
Income tax	-	-	-	(358,958)	(336,161)	(209,879)	(5,865,969)	(6,770,967)	(6,295,018)
<b>Income for the year</b>	<b>11,675,543</b>	<b>22,587,593</b>	<b>6,951,790</b>	<b>1,146,309</b>	<b>599,805</b>	<b>664,615</b>	<b>(28,018,396)</b>	<b>15,607,259</b>	<b>14,309,826</b>
Sector's assets	168,382,795	310,068,105	311,876,816	18,938,630	60,786,086	21,640,269	-	891,692,701	764,388,062
Undistributed assets on sectors	-	-	-	-	-	-	57,883,971	57,883,971	81,031,829
<b>Total assets</b>	<b>168,382,795</b>	<b>310,068,105</b>	<b>311,876,816</b>	<b>18,938,630</b>	<b>60,786,086</b>	<b>21,640,269</b>	<b>57,883,971</b>	<b>949,576,672</b>	<b>845,419,891</b>
Sector's liabilities	367,661,245	294,241,008	27,432,998	882,587	52,102,958	16,428,251	-	758,749,047	678,534,506
Undistributed liabilities on sectors	-	-	-	-	-	-	26,484,411	26,484,411	12,239,078
<b>Total liabilities</b>	<b>367,661,245</b>	<b>294,241,008</b>	<b>27,432,998</b>	<b>882,587</b>	<b>52,102,958</b>	<b>16,428,251</b>	<b>26,484,411</b>	<b>785,233,458</b>	<b>690,773,584</b>
<b>Capital expenditures Depreciation and amortization</b>								<b>2,070,645</b>	<b>10,179,232</b>
								<b>2,852,149</b>	<b>2,759,899</b>

**B- Information on the geographical distribution.**

The bank conducts its business and operations primarily in Jordan. Accordingly, most of the Bank's revenues, assets and capital expenditures are in Jordan.

**(40) CAPITAL MANAGEMENT**

**a. Description of Capital**

According to the Central Bank of Jordan Law and in compliance with the capital adequacy requirements, capital consists of many parts:

- Tier one: Primary consist of the banks going concern, which includes:
  - 1- Common Equity Tier 1
  - 2- Additional paid in capital Tier 1.
- Tier two: Primary consist of the paid in capital that will be used when going concern issues arise.
- For all three types of paid in capital (CET1, AT1,T2) special standards that the financial instrument must meet to be classified in the right .

Additionally, the Bank complies with Article (62) of the Banks Law which requires the Bank to appropriate 10% of its net profits in the Kingdom and continue to do so until the reserve equals the Bank's paid-up capital.

**b. Regulatory Authorities Requirements Concerning Capital and Method of Fulfilling Them.**

The Bank considers the compatibility of the size of capital with the nature of risks it is exposed to provided that paid-up capital is not less than the minimum required by the Central Bank of Jordan and regulatory capital, which is required to be:

- 1- For common equity Tire 1, not less than 6% of the market risk-weighted assets..
- 2- For paid in capital, not to be less than 7.5% of the market risk-weighted assets.
- 3- For capital adequacy ratio not to be less than 12% of market risk-weighted assets

**c. How to Achieve the Objectives of Capital Management**

The Bank's management aims at achieving the Bank's capital management objectives, a surplus in operating income and revenues, and the optimal utilization of the available sources of funds so as to reach the targeted growth in shareholders' equity through the increase in the statutory reserve, recognized profits, voluntary reserve, and retained earnings.

The effect of capital adequacy ratio is taken into considerations when entering to investments. Moreover, capital and its adequacy are monitored periodically, and capital adequacy is calculated by the Risk Management and Compliance Department.

Capital risk was calculated based on the central bank of Jordan regulations, which is represented by Basel III as at 31 December 2016, and Basel II as at 31 December 2015 determinants.

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d. The amount the Bank considers as capital and capital adequacy ratio are as follows:

	31 December 2016 <u>JD</u>
<b>Primary capital items:</b>	
Subscribed and paid-in capital	100,000,000
Retained earnings (net of restricted amounts)	16,209,648
Financials assets fair value reserve in according with	5,491,519
Statutory reserve	<u>23,570,771</u>
<b>Total capital for common stocks</b>	<u>145,271,938</u>
<b>Monitoring changes (deductions from capital):</b>	
Goodwill or any intangibles assets	(3,003,463)
Deferred tax assets generated from doubtful debts	(6,883,615)
Investments in the capital of unconsolidated subsidiaries	<u>-</u>
<b>Net equity</b>	<u>135,384,860</u>
<b>Tier II of paid in capital:</b>	
General banking risks reserve (not more than 1,25%) of risk weighted assets	<u>5,311,284</u>
<b>Total</b>	<u>5,311,284</u>
<b>Adjustments (deductions form paid-in capital):</b>	
Investments in the capital of unconsolidated subsidiaries	<u>-</u>
<b>Net supporting paid-in capital (Tier II)</b>	<u>5,311,284</u>
<b>Total Capital Structure</b>	<u>140,696,144</u>
Total risk weighted assets	<u>810,256,182</u>
Capital adequacy ratio (%)	17.36%
Common stock equity holders' ratio (%)	16.71%



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	31 December 2015 <u>JD</u>
Subscribed and paid-in capital	100,000,000
Statutory reserve	21,332,948
Retained earnings (net of restricted amounts)	13,018,133
<b>Less:</b>	
Goodwill or any intangibles assets and deferred tax assets	(7,321,840)
Deferred tax assets generated from doubtful debts provisions	
Investments deducted from capital by 50%	<u>(1,065,920)</u>
<b>Total primary capital</b>	<u>125,963,321</u>
Additional Paid-in Capital	
Financial assets fair value reserve in according with IFRS	1,727,629
General banking risks reserve	4,603,049
<b>Less:</b>	
Investments deducted from capital by 50%	<u>(1,065,920)</u>
<b>Total additional capital</b>	<u>5,264,758</u>
<b>Total Capital Structure</b>	<u>131,228,079</u>
Total risk weighted assets	<u>720,548,304</u>
Capital Adequacy Ratio (%)	<u>18.21%</u>
Primary Capital Ratio (%)	<u>17.48%</u>

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**(41) ACCOUNTS MANAGED ON BEHALF OF CUSTOMERS**

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

**(42) ANALYSIS OF THE MATURITIES OF ASSETS AND LIABILITIES:**

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

	Up to one year	More than one year	Total
<b>31 December 2016</b>	JD	JD	JD
<b>Assets:</b>			
Cash and balances at the Central Bank	91,250,017	-	91,250,017
Balances at banks and financial institutions	73,902,498	-	73,902,498
Deposits at banks and financial institutions	5,500,000	-	5,500,000
Financial assets at fair value through statement of income	2,128,116	-	2,128,116
Direct credit facilities - net	243,907,884	294,722,401	538,630,285
Financial assets at fair value through other comprehensive income	-	24,437,914	24,437,914
Financial assets at amortized cost	56,303,684	63,840,186	120,143,870
Property and plant -net	2,045,123	26,528,486	28,573,609
Intangible assets	530,127	2,473,336	3,003,463
Deferred tax assets	378,258	6,505,357	6,883,615
Other assets	8,859,586	46,263,699	55,123,285
<b>Total assets</b>	<b>484,805,293</b>	<b>464,771,379</b>	<b>949,576,672</b>
<b>Liabilities:</b>			
Deposits at banks and financial institutions	2,432,998	-	2,432,998
Customers' deposits	583,968,845	38,847,898	622,816,743
Cash margins	22,469,071	15,625,756	38,094,827
Borrowed funds	36,995,909	62,793,715	99,789,624
Sundry provisions	-	710,086	710,086
Income tax provision	6,501,454	-	6,501,454
Deferred tax liabilities	-	2,812,850	2,812,850
Other liabilities	12,074,876	-	12,074,876
<b>Total Liabilities</b>	<b>664,443,153</b>	<b>120,790,305</b>	<b>785,233,458</b>
<b>Net</b>	<b>(179,637,860)</b>	<b>343,981,074</b>	<b>164,343,214</b>

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	Up to one year JD	More than one year JD	Total JD
<b>31 December 2015</b>			
<b>Assets:</b>			
Cash and balances at the Central Bank	102,527,791	-	102,527,791
Balances at banks and financial institutions	45,854,292	-	45,854,292
Deposits at banks and financial institutions	-	5,000,000	5,000,000
Financial assets at fair value through statement of income	2,556,397	-	2,556,397
Direct credit facilities - net	222,874,925	231,829,343	454,704,268
Financial assets at fair value through other comprehensive income	-	20,581,461	20,581,461
Financial assets at amortized cost	71,634,363	47,445,591	119,079,954
Property and plant -net	1,806,405	26,921,345	28,727,750
Intangible assets	621,939	1,333,986	1,955,925
Deferred tax assets	330,360	5,035,555	5,365,915
Other assets	5,514,608	53,551,530	59,066,138
<b>Total assets</b>	<u>453,721,080</u>	<u>391,698,811</u>	<u>845,419,891</u>
<b>Liabilities:</b>			
Deposits at banks and financial institutions	9,018,275	-	9,018,275
Customers' deposits	583,892,917	183,438	584,076,355
Cash margins	32,157,407	-	32,157,407
Borrowed funds	11,970,073	30,351,964	42,322,037
Sundry provisions	-	1,082,090	1,082,090
Income tax provision	6,208,287	-	6,208,287
Deferred tax liabilities	-	2,073,433	2,073,433
Other liabilities	13,835,700	-	13,835,700
<b>Total Liabilities</b>	<u>657,082,659</u>	<u>33,690,925</u>	<u>690,773,584</u>
<b>Net</b>	<u>(203,361,579)</u>	<u>358,007,886</u>	<u>154,646,307</u>

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**(43) FAIR VALUE HIERARCHY**

The table below analyses financial instruments carried at fair value by the valuation method. The different levels have been defined as follows:

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

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

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable. The Bank has applied book value method which considered the best available method to measure fair value of these investments due to difficulty of fair value measurement.

	Level 1 JD	Level 2 JD	Level 3 JD	Total JD
<b>2016</b>				
Financial assets through statement of income	1,944,323	-	183,793	2,128,116
Financial assets through other comprehensive income	21,851,633	-	2,586,281	24,437,914
	<u>23,795,956</u>	<u>-</u>	<u>2,770,074</u>	<u>26,566,030</u>
<b>2015</b>				
Financial assets through statement of income	2,556,397	-	-	2,556,397
Financial assets through other comprehensive income	18,302,235	-	2,279,226	20,581,461
	<u>20,858,632</u>	<u>-</u>	<u>2,279,226</u>	<u>23,137,858</u>

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**(44) FAIR VALUE OF FINANCIAL INSTRUMENTS**

The fair value of the unquoted financial instruments presented in the consolidated financial position are not materially different from their carrying value in the consolidated financial statements. In addition, the fair value of direct credit facilities, deposits in banks and financial institution, customer deposits, cash margin and borrowed money which presented at amortized cost are note materially different from their carrying value presented in the consolidated financial statements because the interest rate in the financial assets market are not materially different from their contractual prices, furthermore, due to the short term periods when it comes to deposits at banks and financial institution. The fair value presented at amortized cost is measured either through prices announced in the market when it is available or through valuation methods such as used in some bonds with fixed interest rate cases.

During the first quarter of 2015, the bank transferred part of the financial assets at fair value through profit and loss to financial assets at amortized cost, which comply with the long term strategic investment plan and investment driven of these investments. The fair value of the portfolio at the transferring date amounted to JD 2,360,136 and the fair value as of 31 December 2016 amounted to JD 450,939.

**(45) COMMITMENTS AND CONTINGENT LIABILITIES (OFF-FINANCIAL POSITION)**

**A. Credit commitments and contingencies:**

	31 December 2016 <u>JD</u>	31 December 2015 <u>JD</u>
Letters of credit	7,613,523	13,761,841
Acceptances and periodic withdrawals	8,438,672	3,186,941
<b>Letters of guarantees:</b>		
Payments	26,075,744	31,800,034
Performance	39,777,088	30,842,045
Other	12,370,394	11,135,306
Unutilized credit facilities limits	28,634,407	17,312,891
	<u>122,909,828</u>	<u>108,039,058</u>

**B. Contractual obligations:**

Contracts to purchase property and equipment	804	28,580
Construction contracts	11,000	167,104
	<u>11,804</u>	<u>195,684</u>

Operating leases amounted to JD 642,728 in 31 December 2016(2015: JD 412,070), with periods ranging from one to twelve months

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**(46) LAWSUITS AGAINST THE BANK**

- a. The Bank is a defendant in lawsuits amounting to JD 5,652,963 as 31 December 2016 against JD 14,501,597 as of 31 December 2015. The total provision booked against these lawsuits amounted to JD 640,620 as of 31 December 2016 against JD 1,062,463 as of 31 December 2015. As per the estimate of the management and the bank's lawyer, no additional liabilities would arise against these lawsuits.
- b. There were no lawsuits against the subsidiary companies: Al Mawared for financial broker and Al Istethemari Letamweel Salselat Al Imdad as of 31 December 2016.
- c. The lawsuits against Al Istethemari Latamweel Selselat Al Imdad Company amounted to JD 3,000 as of 31 December 2016, based on the estimations of the management and the company's lawyer no provision is needed at this level.
- d. The lawsuits against Jordan Trade Facilities amounted to JD 39,200 as of 31 December 2016 Compared to JD 931,084 as of December 2015, no lawsuit provisions were booked as of 31 December 2016 compared to JD 22, 956 as of 31 December 2015. Based on the estimations of the management and the company's lawyer no additional liabilities would rise from these lawsuits.

**(47) COMPARATIVE FIGURES**

Certain comparative figures were reclassified for the year ended 31 December 2015 to match the financial statement classifications for the year ended 31 December 2016.