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Date: 14/05/2017

التاريخ: 2017/05/14

Jordan Securities Commission
Amman Stock Exchange

السادة هيئة الاوراق المالية
السادة بورصة عمان

Subject: Quarterly Report as of 31/03/2017

الموضوع: التقرير ربع السنوي كما هي في 2017/03/31

Attached are the English Quarterly Financial
Statements of Bank Al Etihad as of 31/03/2017.

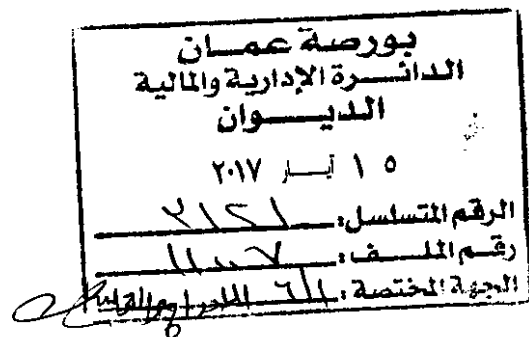
مرفق طيه نسخة باللغة الانجليزية من البيانات المالية ربع
السنوية لبنك الاتحاد كما هي بتاريخ 2017/03/31.

Best Regards,,,

وتفضلوا بقبول فائق الاحترام،،،

Nadia Al Saeed
General Manager

ناديا السعيد
المدير العام



BANK AL ETIHAD

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(REVIEWED UNAUDITED)

31 MARCH 2017



Building a better
working world

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**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO
THE BOARD OF DIRECTORS OF
BANK AL ETIHAD
AMMAN - JORDAN**

We have reviewed the accompanying interim condensed consolidated financial statements of Bank Al Etihad (a public shareholding company) and its subsidiaries ("the Group") as of 31 March 2017, comprising of the interim consolidated statement of financial position as of 31 March 2017, the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the three-months period then ended and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (34) Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

Explanatory Paragraph

The interim condensed consolidated financial statements have been prepared for the purposes of the Jordan Securities Commission and management and do not require the Central Bank of Jordan approval.

Amman – Jordan

27 April 2017

BANK AL ETIHAD
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

	<u>Notes</u>	31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
ASSETS-			
Cash and balances with Central Bank	4	311,942,710	281,844,459
Balances at banks and financial institutions	5	245,995,909	258,889,861
Deposits at banks and financial institutions		9,197,937	-
Financial assets at fair value through profit or loss	6	26,487,370	23,300,582
Financial assets at fair value through other comprehensive income	7	26,741,778	28,527,354
Financial assets held at amortized cost, net	8	608,184,056	479,610,204
Investments in associate		370,362	-
Direct credit facilities, net	9	1,995,556,073	1,385,666,088
Property and equipment, net		69,626,369	44,270,972
Intangible assets, net		17,516,617	5,891,223
Deferred tax assets		2,052,361	1,602,674
Other assets		65,733,848	50,136,833
Total Assets		<u>3,379,405,390</u>	<u>2,559,740,250</u>
LIABILITIES AND EQUITY			
LIABILITIES -			
Banks and financial institutions' deposits		121,295,975	123,107,908
Customers' deposits	10	2,560,633,747	1,856,773,606
Margin accounts		175,298,924	176,163,488
Loans and borrowings		67,250,690	56,869,246
Sundry provisions		146,832	42,516
Income tax liabilities	11	15,350,548	10,595,594
Other liabilities		37,226,839	25,984,239
Total Liabilities		<u>2,977,203,555</u>	<u>2,249,536,597</u>
EQUITY-			
EQUITY ATTRIBUTABLE TO THE BANK'S SHAREHOLDERS			
Paid-in capital	18	125,000,000	125,000,000
Share premium		71,463,173	71,463,173
Statutory reserve	22	37,340,305	37,340,305
Voluntary reserve		24,932,207	24,932,207
General banking risk reserve		14,460,811	14,730,577
Fair value reserve		1,775,807	1,555,417
Retained earnings		34,602,825	35,055,974
Profit for the period		7,270,864	-
Total equity attributable to the bank's shareholders		<u>316,845,992</u>	<u>310,077,653</u>
Non- controlling interests		85,355,843	126,000
Total Equity		<u>402,201,835</u>	<u>310,203,653</u>
Total Liabilities and Equity		<u>3,379,405,390</u>	<u>2,559,740,250</u>

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements and should be read with them

BANK AL ETIHAD
INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	Notes	31 March 2017 JD	31 March 2016 JD
Interest income		43,607,977	31,659,457
Interest expense		<u>15,775,712</u>	<u>11,884,469</u>
Net interest income		27,832,265	19,774,988
Net commission income		<u>5,365,374</u>	<u>3,168,197</u>
Net interest and commission income		33,197,639	22,943,185
Income before interest and commission			
Gain from foreign currencies		869,394	506,622
Dividends received from financial assets at fair value through other comprehensive income		26,912	754,671
Gain (loss) from financial assets at fair value through profit or loss		1,066,062	(339,717)
Loss from financial assets held at amortized cost		-	(12,580)
Other income		<u>163,214</u>	<u>301,164</u>
Gross income		35,323,221	24,153,345
Employees' expenses		9,189,365	5,755,853
Depreciation and amortization		2,369,544	1,648,987
Other expenses		6,440,716	4,602,895
Impairment loss on direct credit facilities	9	4,920,551	1,056,221
Impairment loss on financial assets held at amortized cost		136,875	-
Impairment loss on repossessed assets		280,000	266,000
Sundry provisions		<u>19,713</u>	<u>-</u>
Total expenses		23,356,764	13,329,956
Profit before tax		11,966,457	10,823,389
Income tax expense	11	<u>4,259,841</u>	<u>3,652,212</u>
Profit for the period		<u>7,706,616</u>	<u>7,171,177</u>
Attributed to:			
Bank shareholders'		7,270,864	7,171,177
Non-controlling interests		<u>435,752</u>	<u>-</u>
		<u>7,706,616</u>	<u>7,171,177</u>
		JD/Fills	JD/Fills
Basic and diluted earnings per share	12	<u>0,058</u>	<u>0,057</u>

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements and should be read with them

BANK AL ETIHAD
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	31 March 2017 <u>JD</u>	31 March 2016 <u>JD</u>
Profit for the period	7,706,616	7,171,177
Add: other comprehensive income net of tax which will not be reclassified to the income statement in future periods		
Change in fair value reserve – net of tax	<u>(291,253)</u>	<u>(1,318,041)</u>
Total comprehensive income for the period	<u>7,415,363</u>	<u>5,853,136</u>
Attributed to:		
Bank's shareholders	7,003,677	5,853,136
Non- controlling interests	411,686	-
	<u>7,415,363</u>	<u>5,853,136</u>

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements and should be read with them

**BANK AL ETIHAD
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)**

	Reserves												Total equity JD									
	Paid-in Capital		Share premium		Statutory		Voluntary		General banking risk		Fair value			Retained earnings*		Profit for the period		Equity attributable to the bank's shareholders		Non-controlling interests		
	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD	JD		JD	JD	JD	JD	JD	JD	JD	JD	JD
31 March 2017 -																						
Balance beginning of the period	125,000,000	71,463,173	37,340,305	24,932,207	14,730,577	1,555,417	(267,187)	35,055,974	-	7,270,864	-	310,077,653	126,000	310,203,653								
Total comprehensive income for the period	-	-	-	-	(269,766)	-	269,766	-	-	-	-	7,003,677	411,886	7,415,363								
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Realized loss from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	487,577	(487,577)	-	-	-	-	-	-	-								
Non-controlling interest from acquisition of subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	84,818,157	84,818,157								
Capital increase fees	125,000,000	71,463,173	37,340,305	24,932,207	14,460,811	1,775,807	(235,338)	34,602,825	7,270,864	-	(235,338)	85,355,843	402,201,835									
Balance end of the period	125,000,000	71,463,173	33,147,431	20,776,553	13,469,720	1,382,375	(1,318,041)	28,071,408	7,171,177	-	293,310,660	5,853,136	293,310,660									
31 March 2016 -																						
Balance beginning of the period	125,000,000	71,463,173	33,147,431	20,776,553	13,469,720	1,382,375	(1,318,041)	28,071,408	7,171,177	-	293,310,660	5,853,136	293,310,660									
Total comprehensive income for the period	-	-	-	-	(682,144)	-	682,144	-	-	-	-	-	-	-								
Transfer to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-								
Realized loss from sale of financial assets at fair value through other comprehensive income	-	-	-	-	-	5,693	(5,693)	-	-	-	-	-	-	-								
Balance end of the period	125,000,000	71,463,173	33,147,431	20,776,553	12,787,576	70,027	28,747,859	7,171,177	7,171,177	-	289,163,796	-	289,163,796									

- The general banking risk reserve is restricted and cannot be used without approval of the Central Bank of Jordan.
- Retained earnings balance includes JD 2,052,361 as at 31 March 2017 (31 December 2016: JD 1,602,674) which represents deferred tax assets, this amount is restricted from use as per the Central Bank of Jordan instructions.
- Retained earnings balance contains an amount of JD 493,175 that represents unrealized gain from financial assets at fair value through profit or loss.
- The Bank cannot use a restricted amount of JD 4,278,062 as at 31 March 2017 that represents investment risk fund reserve.

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements and should be read with them

BANK AL ETIHAD
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 31 MARCH 2017 (UNAUDITED)

	Notes	31 March 2017 JD	31 March 2016 JD
<u>OPERATING ACTIVITIES</u>			
Profit before income tax		11,966,457	10,823,389
Adjustments for -			
Depreciation and amortization		2,369,544	1,648,987
Impairment loss on direct credit facilities		4,920,551	1,056,221
Loss from sale property and equipment		22,209	79,454
Sundry provisions		19,713	-
Impairment loss on repossessed assets		280,000	266,000
Unrealized losses from financial assets at fair value through profit or loss		(493,175)	133,656
Effect of exchange rate changes on cash and cash equivalent		(503,273)	22,047
Gain from sale of property and equipment		(2,140)	-
Cash flows from operating activities before changes in assets and liabilities		18,579,886	14,029,754
Changes in assets and liabilities-			
Restricted cash balances		(550)	18,996
Direct credit facilities		(14,210,684)	46,220,571
Financial assets at fair value through profit or loss		(2,693,613)	(3,163,941)
Deposits at banks and financial institutions		(4,105,110)	-
Other assets		(9,305,502)	(6,173,328)
Customers' deposits		(52,397,225)	22,661,506
Margin accounts		(9,088,762)	11,103,476
Other liabilities		151,812	1,068,979
Net cash flow (used in) from operating activities before income tax		(73,069,748)	85,766,013
Income tax paid		(3,536,922)	(3,771,618)
Net cash flow (used in) from operating activities		(76,606,670)	81,994,395
<u>INVESTING ACTIVITIES</u>			
Proceed from sale of financial assets at fair value through other comprehensive income		4,793,736	206,630
Purchase of financial assets at fair value through other comprehensive income		(1,433,274)	(910,879)
Purchase of financial assets at amortized cost		(104,073,364)	(76,197,632)
Matured and sale of financial assets at amortized cost		23,403,800	113,025,870
(Increase) intangible assets		(240,208)	(360,999)
Purchase of property and equipment		(2,448,378)	(3,754,701)
Proceeds from sale of property and equipment		21,809	92,206
Net cash flows acquired from the acquisition of subsidiary		164,854,581	-
Net cash flow from investing activities		84,878,702	32,100,495
<u>FINANCING ACTIVITIES</u>			
Increase in loans and borrowings		10,381,444	5,502,534
Dividends paid		(9,496)	(3,563)
Capital increase fees		(235,338)	-
Increase in non-controlling interests		103,767	-
Net cash flow from financing activities		10,240,377	5,498,971
Net increase in cash and cash equivalents		18,512,409	119,593,861
Effect of exchange rate changes on cash and cash equivalents		503,273	(22,047)
Cash and cash equivalents at the beginning of the period		409,009,567	195,610,720
Cash and cash equivalents at the end of the period	13	428,025,249	315,182,534

The accompanying notes from 1 to 22 are an integral part of these interim condensed consolidated financial statements and should be read with them

(1) GENERAL INFORMATION

Bank Al Etihad is a public shareholding company incorporated in Jordan during 1978, in accordance with the Companies Law No (12) of (1964). Its main branch located in Amman.

The Bank provides its financial and banking services through its main branch located in Amman and through its (43) branches in Jordan and its subsidiaries.

The Bank shares are listed and traded on the Amman Stock Exchange.

The board of directors approved the interim consolidated financial statements on 27 April 2017.

(2) SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements as at 31 March 2017 have been prepared in accordance with International Accounting Standard 34 (Interim Financial Reporting).

The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Bank's annual financial statements as of 31 December 2016. In addition, results for the three - months period ended 31 March 2017 do not necessarily indicate to the results that may be expected for the financial year ending 31 December 2017.

Changes in accounting policies:

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2016, except for the followings:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

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

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

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

(3) Basis of consolidation:

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

<u>Subsidiary</u>	<u>Date of incorporation</u>	<u>Paid-in capital</u>	<u>% of ownership</u>	<u>Activities</u>
		JD		
Al-Etihad for Financial Brokerage Company L.L.C.	22 February 2006	JD 5,000,000	100%	Brokerage
Al-Etihad for Financial Leasing Company L.L.C	21 January 2015	JD 3,00,000	100%	Finance leasing
Al-Etihad Islamic Investment Company L.L.C	30 November 2016	JD 300,000	58%	Islamic banking

The financial data of Al- Etihad Islamic Investment Company L.L.C and its subsidiary Jordan Dubai Islamic Bank has been consolidated within the financial statements of Al Etihad Bank, as the Al-Etihad Islamic Investment Company L.L.C acquired a controlling interest of Jordan Dubai Islamic Bank by 61.8% during January 2017 (Note 20).

The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. If different accounting policies were applied by the subsidiaries, adjustments shall be made on their financial statements in order to comply with those of the Bank

If separate financial statements are prepared for the bank, the investments in subsidiaries will be present at cost.

The results of operations of the subsidiaries are consolidated in the consolidated income statement from the acquisition date, which is the date, of transfer of control to the Bank. The results of operations of the disposed of subsidiaries are consolidated in the consolidated income statement up to the date of disposal, which is the date of losing control. Non-controlling interests is represented by the part of owner's equity that is not owned by the bank in subsidiaries.

(4) CASH AND BALANCES WITH CENTRAL BANK

Restricted statutory cash reserve amounted to JD 159,931,224 as of 31 March 2017 (31 December 2016: JD 129,261,427).

Except for statutory cash reserve, there are no restricted cash balances as of 31 March 2017 and 31 December 2016.

(5) BALANCES AT BANKS AND FINANCIAL INSTITUTIONS

Non interest bearing balances at banks and financial institutions amounted to JD 35,196,878 as of 31 March 2017 (31 December 2016: JD 47,755,311).

Restricted balances at Banks and financial institutions amounted to JD 8,617,395 as at 31 March 2017 (31 December 2016: JD 8,616,845).

(6) FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The movement is as follows:

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Quoted financial assets:		
Treasury bonds	3,648,656	3,610,200
Corporate bonds	14,249,450	14,141,599
Shares	5,214,009	3,594,962
Investment funds	3,375,255	1,953,821
Total	<u>26,487,370</u>	<u>23,300,582</u>

(7) FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The movement is as follows:

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Quoted financial assets		
Shares	24,880,923	27,112,965
Total quoted financial assets	<u>24,880,923</u>	<u>27,112,965</u>
Unquoted financial assets		
Shares	1,860,855	1,414,389
Total unquoted financial assets	<u>1,860,855</u>	<u>1,414,389</u>
Total financial assets at fair value through other comprehensive income	<u>26,741,778</u>	<u>28,527,354</u>

(8) FINANCIAL ASSETS HELD AT AMORTIZED COSTS

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Quoted Financial Assets		
Governmental guaranteed bonds	10,321,000	-
Foreign treasury bonds	3,600,559	3,604,961
Corporate debt securities	41,941,862	20,048,090
Unquoted Financial Assets		
Governmental guaranteed bonds	519,813,135	423,564,028
Corporate debt securities	33,487,500	33,236,250
Total financial assets at amortized cost	<u>609,164,056</u>	<u>480,453,329</u>
Impairment losses*	980,000	843,125
Total financial assets at amortized cost, net	<u>608,184,056</u>	<u>479,610,204</u>
Analysis of debt instruments		
Fixed rate	608,077,728	467,746,496
Floating rate	1,086,328	12,706,833
Total	<u>609,164,056</u>	<u>480,453,329</u>

* This item contains allowance for impairment of financial assets held at amortized cost amounted to JD 980,000 as of 31 March 2017 (31 December 2016: JD 843,125).

BANK AL ETIHAD
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017

(9) DIRECT CREDIT FACILITIES

	31 March 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Consumer lending		
Overdrafts	8,786,557	11,197,498
Loans and bills *	273,807,465	158,578,627
Credit Cards	6,544,347	6,103,074
Residential mortgages	510,150,346	301,185,746
Corporates		
Overdrafts	147,133,222	141,235,650
Loans and bills *	873,059,829	707,922,724
Small and medium enterprises lending "SMEs"		
Overdrafts	32,066,841	30,787,743
Loans and bills *	87,371,430	75,464,746
Lending to governmental sectors	145,628,795	26,848,760
Total	2,084,548,832	1,459,324,568
Less: Suspended interest	16,537,169	15,189,919
Less: Allowance for impairment losses	72,455,590	58,468,561
Direct credit facilities, net	1,995,556,073	1,385,666,088

* Net of interest and commissions received in advance amounted to JD 1,178,652 as at 31 March 2017 (31 December 2016: JD 761,780).

- At 31 March 2017, non-performing credit facilities amounted to JD 116,617,888 (2016: JD 99,353,061) representing 5.59% (2016: 6.81%) of gross facilities granted.
- At 31 March 2017, non-performing credit facilities, net of suspended interest, amounted to JD 100,080,719 (2016: JD 84,163,142), representing 4.84% (2016: 5.83 %) of gross facilities granted after excluding the suspended interest.
- At 31 March 2017, credit facilities granted to the Government of Jordan or guaranteed by the government amounted to JD 118,457,803 (2016: JD 69,910),
- representing 5.68% (2016: 0.005%) of gross facilities granted.

BANK AL ETIHAD
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017

Allowance for impairment losses

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

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Beginning balance of the period/ year	58,468,561	54,694,739
Additional balance from the acquisition of Jordan Dubai Islamic Bank	9,066,478	-
Charge for the period/ year	4,920,551	8,093,535
Amounts written off for the period/ year	-	(4,319,713)
Ending balance of the year/period	72,455,590	58,468,561

Suspended interest

The movement on the interest in suspense is as follows:

	31 March 2017	31 December 2016
	JD	JD
	(Unaudited)	(Audited)
Beginning balance for the year/period	15,189,919	13,015,505
Additional balance proceeded from the acquisition of Jordan Dubai Islamic Bank	639,410	-
Add: Suspended interest during the period/ year	948,152	7,076,464
Less: Amount transferred to income on recovery	229,974	3,969,891
Less: Amounts written off for the period/ year	10,338	932,159
Ending balance for the year/period	16,537,169	15,189,919

BANK AL ETIHAD
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2017

Direct credit facilities being allocated according to the geographical distribution and economic sector as follows:

<u>Economic Sector</u>	<u>Inside Jordan</u>	<u>Outside Jordan</u>	<u>31 March 2017</u>	<u>31 December 2016</u>
	JD	JD	JD (Unaudited)	JD (Audited)
Agriculture	45,475,468	-	45,475,468	36,867,289
Industry & Mining	237,392,080	-	237,392,080	205,613,945
Constructions	609,557,146	-	609,557,146	299,429,808
Public Trading	517,278,752	-	517,278,752	351,838,799
Transportation	38,914,532	-	38,914,532	38,513,591
Tours, Hotels & Restaurants	42,754,503	-	42,754,503	41,715,607
Financing Shares	19,489,850	-	19,489,850	16,536,272
Public Facilities	243,933,464	-	243,933,464	117,848,165
Financial Services	13,391,305	3,653,317	17,044,622	15,934,932
Others	312,708,415	-	312,708,415	335,026,160
Total	2,080,895,515	3,653,317	2,084,548,832	1,459,324,568

(10) CUSTOMERS' DEPOSITS

The movement is as follows:

	<u>31 March 2017</u>	<u>31 December 2016</u>
	JD (Unaudited)	JD (Audited)
Current accounts and demand deposits	494,877,659	408,421,998
Saving accounts	420,015,570	350,768,125
Term and notice deposits	1,516,611,774	998,568,733
Certificates of deposit	129,128,744	99,014,750
Total	2,560,633,747	1,856,773,606

- Governmental institutions' deposits amounted to JD 236,576,036 as of 31 March 2017 (2016: JD 221,796,014) representing 9.24% (2016: 11.95%) of total customers' deposits.

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- Non-interest bearing deposits amounted to JD 495,806,059 as of 31 March 2017 (2016: JD 392,239,538) representing 19.36% (2016: 21.12%) of total customers' deposits.
- Restricted deposits amounted to JD 1,952,575 as of 31 March 2017 (2016: JD 566,507) representing 0.08 % (2016: 0.03%) of total customers' deposits.
- Dormant accounts amounted to JD 52,776,934 as of 31 March 2017 (2016: JD 45,028,169) representing 2.06% (2016: 2.43%) of total customers' deposits.

(11) INCOME TAX

The movements on the income tax liability is as follows:

	31 March 2017	31 December 2016
	JD (Unaudited)	JD (Audited)
Beginning balance for period/ year	10,595,594	12,546,094
Additional balance from the acquisition of Jordan Dubai Islamic Bank	4,035,800	-
Income tax paid	(3,536,922)	(15,288,563)
Provision for income tax for the period/ year	4,256,076	13,335,979
Provision for income tax for previous years	-	2,084
Ending balance for period/ year	<u>15,350,548</u>	<u>10,595,594</u>

Income tax appearing in the consolidated income statement represents the following:

	31 March 2017	31 March 2016
	JD (Unaudited)	JD (Unaudited)
Current period provision for income tax	4,256,076	3,606,140
Amortization of deferred tax assets	3,765	46,072
	<u>4,259,841</u>	<u>3,652,212</u>

- The Bank submitted 2015 tax declaration, and the Income Tax Department did not review Bank's accounting records for 2015.

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- The Bank reached a final settlement with the Income Tax Department up to the year 2011 and for 2014. A case pending in the Tax Court of appeal related to 2012 and 2013 and it is not settled yet.
- Final clearance for Al- Etihad for Financial Services Company Ltd has been reached up to the year 2014.
- The bank obtained the final clearance from Income and Sales tax Department for results of Jordan Dubai Islamic Bank until 2013, and tax statements for the years 2014 and 2015 have been submitted.
- The deferred tax rate is 35% and 10% and in management's opinion, these deferred taxes will be realized in the future.

(12) EARNINGS PER SHARE

	31 March 2017 <u>(Unaudited)</u>	31 March 2016 <u>(Unaudited)</u>
Profit for the period (JD)	7,270,864	7,171,177
Weighted average number of shares (shares)	125,000,000	125,000,000
	<u>JD/ Fills</u>	<u>JD/ Fills</u>
Basic and diluted earnings per share	<u>0.058</u>	<u>0.057</u>

(13) CASH AND CASH EQUIVALENTS

	31 March 2017	31 March 2016
	JD	JD
	(Unaudited)	(Unaudited)
Cash and balances with Central Bank maturing within 3 months	311,942,710	255,778,643
Add: Balances at banks and financial institutions maturing within 3 months	245,995,909	169,441,519
Less: Banks and financial institutions' deposits maturing within 3 months	121,295,975	106,242,873
Less: Restricted cash balances	8,617,395	3,794,755
	<u>428,025,249</u>	<u>315,182,534</u>

(14) RELATED PARTY TRANSACTIONS

The accompanying interim condensed consolidated financial statements of the Bank include the following subsidiary:

<u>Company name</u>	<u>Ownership</u>	<u>Company capital</u>	
		31 March 2017	31 December 2016
		JD	JD
Al- Etihad for Financial Services Co. Ltd	100%	5,000,000	5,000,000
Al- Etihad for Financial Leasing Co. Ltd	100%	5,000,000	5,000,000
Al-Etihad Islamic Investment Company	58%	300,000	300,000

The Bank entered into transactions with major shareholders, directors, senior management in the ordinary course of business at commercial interest and commission rates. All the loans and advances granted to related parties are performing and are free of any provision for credit losses except as shown below:

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The following related party transactions:

	<u>Related parties</u>				31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
	Board of Directors	Executive Management	Subsidiaries	Others (employees and their relatives of Board and management)		
	JD	JD	JD	JD		
Financial position items:						
Credit facilities	938,402	3,181,540	-	41,757,216	45,877,158	43,779,475
Deposits	12,003,373	3,167,715	5,613,524	9,946,166	30,730,778	31,184,716
Bank and financial institution accounts	-	-	2,833,091	-	2,833,091	-
Off balance items:						
Letters of credit	-	-	-	-	352,394	840,619
Acceptance	-	-	-	-	79,420	18,930
Letters of guarantee	35,191	-	744,000	8,474,452	9,253,643	9,251,675
For the three months ended at 31						
March						
	2017		2016			
	JD	JD	JD	JD	(Unaudited)	(Unaudited)
Income statements items						
Interest and commission income	25,912	38,594	929	929,717	995,152	766,677
Interest and commission expense	215,294	14,495	33,103	38,154	301,046	41,307
Watch list facilities	-	-	-	-	-	5,290
Allowance for watch list	-	-	-	-	-	82
Non performing facilities	-	-	-	1,802	1,802	2,236
Provisions of non-performing loans	-	-	-	1,233	1,233	1,841
Interest in suspense	-	-	-	570	570	395

Compensation of executive management:

	For the three months ended at 31	
	March	
	2017	2016
	JD	JD
	(Unaudited)	(Unaudited)
Salaries, and bonuses of executive management	948,104	376,560
Board of directors transportation and fees	269,846	198,992
	<u>1,217,950</u>	<u>575,552</u>

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(15) SEGMENT INFORMATION

Information on the Bank activities

For management purposes, the Bank is organized into the following major business segments based on the reports sent to the chief operating decision maker.

- Consumer banking.
- Corporate banking.
- Treasury.

These segments are the basis on which the Bank reports its primary segment information.

	Consumers JD	Corporate JD	Treasury JD	Other JD	Total	
					31 March 2017 JD (Unaudited)	31 March 2016 JD (Unaudited)
Total income	15,749,382	26,679,844	8,707,558	137,617	51,274,401	36,239,651
Impairment loss on credit facilities	(689,910)	(4,230,641)	-	-	(4,920,551)	(1,056,221)
Segment results	6,271,884	17,612,207	6,380,962	137,617	30,402,670	23,097,124
Unallocated expenses					(18,436,213)	(12,273,735)
Profit before tax					11,966,457	10,823,389
Income tax					(4,259,841)	(3,652,212)
Profit for the period					7,706,616	7,171,177
					31 March 2017 JD (Unaudited)	31 December 2016 JD (Audited)
Other information						
Segment assets	684,900,322	1,305,325,982	1,118,636,779	-	3,108,863,083	2,457,838,548
Unallocated assets	-	-	-	-	270,542,307	101,901,702
Total Assets	-	-	-	-	3,379,405,390	2,559,740,250
Segment liabilities	1,657,692,480	1,007,791,641	257,231,067	-	2,922,715,188	2,212,914,248
Unallocated liabilities	-	-	-	-	54,488,367	36,622,349
Total Liabilities	-	-	-	-	2,977,203,555	2,249,536,597
					31 March 2017 JD (Unaudited)	31 March 2016 JD (Unaudited)
Capital expenditure					2,688,586	4,115,700
Depreciation and amortization					2,369,544	1,648,987

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(16) CONTINGENT LIABILITIES AND COMMITMENTS

The total outstanding commitments and contingent liabilities are as follows:

	31 March 2017 <u>JD</u>	31 December 2016 <u>JD</u>
Letters of credit	241,760,079	306,060,942
Acceptances	164,207,528	128,915,147
Letters of guarantee:		
- Payments	68,922,588	67,901,496
- Performance	69,187,272	67,488,560
- Other	31,711,237	32,173,092
- Irrevocable commitments to extend credit	196,109,559	186,011,713
	<u>771,898,263</u>	<u>788,550,950</u>

(17) LAWSUITS

In the normal course of business, the Bank appears as a defendant in a number of lawsuits amounting to JD 1,638,517 as of 31 March 2017 and JD 1,503,911 as of 31 December 2016.

The lawsuits provision recorded at JD 123,014 as at 31 March 2017 (31 December 2016: JD 42,516). According to the Bank's lawyer and the Bank's management, no material liability will arise as a result of these lawsuits in excess of the amounts already provided.

(18) PAID-IN CAPITAL

The authorized and paid in capital amounted to JD 125,000,000 divided into 125,000,000 shares at a par value of JD 1 per share as of 31 March 2017 and 31 December 2016.

(19) CAPITAL INCREASE

In its extra-ordinary General Assembly meeting on 29 January 2017, the Bank increased its capital from 125 million shares at a per value of JD 1 per share to 160 million shares by issuing 35 million share of a per value of JD 1 per share in addition to share, premium of JD 0.250 per share. All necessary approvals were obtained and capital increase shares were recorded on 12 March 2017. Noting that subscription has not finished yet until the date of interim condensed financial statement.

(20) PURCHASE OF CONTROLLING INTEREST AT JORDAN DUBAI ISLAMIC BANK

The subsidiary (Islamic Union Investment company) which owned by Al Etihad Bank by 58% possessed controlling interest at the beginning of January 2017 for 61.8% of Jordan Dubai Islamic Bank " JDIB" shares. Since the bank controls the subsidiary JDIB, thier accounts have been consolidated through the interim condensed consolidated financial statement for the group.

The schedule below summarizes the fair value for the assets and liabilities for JDIB at the date of acquisition (3 January 2017) after making some adjustments on the financial statements to match the accounting policies followed by Al Etihad Bank:

	<u>JD</u>
Assets	
Cash and balances at Central Bank	204,028,358
Balances at banks and financial institutions	28,530,937
Deposits at banks and financial institutions	5,092,827
Financial assets at fair value through profit and loss	1,695,710
Financial assets held at amortized cost, net	47,904,288
Investments in associate	370,362
Direct credit facilities, net	600,599,852
Property and equipment	24,541,817
Intangible assets	2,742,566
Deferred tax assets	599,815
Other assets	6,569,373
Total Assets	<u>922,675,905</u>
Liabilities	
Banks and financial institution deposits	2,142,078
Customers' deposits	756,257,366
Margin accounts	8,224,198
Sundry provisions	84,603
Income tax liabilities	4,035,800
Other liabilities	11,100,284
Total Liabilities	<u>781,844,329</u>
Total net assets (at acquisition) determinable at fair value	<u>140,831,576</u>
Results of acquisition:	
Goodwill *	9,421,384
Non-controlling interest **	<u>(84,690,324)</u>
Al Etihad Bank's share of the amount paid	<u>(65,562,636)</u>
Cash flow analysis at acquisition:	
Net cash acquired with the subsidiary	230,417,217
Net cash paid	<u>(65,562,636)</u>
Net cash flow	<u>164,854,581</u>

* Goodwill has been measured tentatively, as the bank will complete the purchase price allocation for the acquisition during 2017 according to the International Financial Reporting Standard (3).

** Non-controlling interest has been measured at fair value according to International Financial Reporting Standard (3).

(21) PROPOSED DIVIDENDS

The proposed dividends for 2016 amounted to 10% of paid-in capital, which equivalent to JD 12,500,000.

(22) LEGAL RESERVE

The bank did not deduct legal reserves according to corporate law regulations, since these statements are interim statements.